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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2262

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JOINT CEMA RESEARCH ON HYPOKINESIS NOTED

Warsaw RZECZPOSPOLITA in Polish No 56, 19 Mar 82 p 5

[Text] A small effort of the worker on the job is regarded as a criterium for the modernity of the machine. Therefore, the massively increasing work positions are characterized by motion activity which is close to zero. Designers of machines striving for perfection in this field perhaps have gone too far. Limited motion activity--hypokineses--in recent years aroused the interest of scientists in various fields. Physicians, for example, have come to the conclusion that it contributes to the beginning of infarct, sclerosis, and hypertension.

Research in the area of hypokineses was included in the scientific-technical cooperation of the CEMA countries. The Central Institute of Industrial Design in Sofia, the Supreme Institute of Work Protection in Prague, and the Institute for Work Protection in Leningrad are participating in the research. The Polish side is represented by the Institute of Industrial Design (IWP).

At present, joint research is being conducted at defining the limits of indispensable motion activity for various types of jobs. The results obtained from this research will permit the creation in the future of biomechanical models of the measure of motion activity at each work position. These matters are not of unconcern for quality and labor productivity and, primarily, the maintenance of the health of the human being.

CSO: 2600/480

INTERNATIONAL AFFAIRS

REASONS FOR CEMA'S GROWING FOOD PRODUCTION PROBLEMS PRESENTED

Zurich NEUE ZUERCHER ZEITUNG in German 18 Mar 82 p 15

['Economy' feature article by K.-E. W.: "Increasing Gravity of Food Situation in East Europe--Excess Demand Despite Growing Expenditures"]

[Text] Data available to date on gross production figures for agriculture in communist dominated East Europe in 1981 confirm its growth deceleration for all these states during the second half of the 1970's. This development was particularly pronounced in the USSR and even resulted in a severe retrogression in Poland. Growth in production as such was greatest in Romania (insofar as Bucharest's figures can be accepted at face value), but remained significantly behind planned projections. If Hungary's figures are approximately realistic, it came in second best and showed a less pronounced decrease in growth, even though it too failed to reach its 1981 planning goals. Expressed in indices, (1970 or, for gross production figures, 1969-71 = 100) this development is illustrated by the attached table.

The soil production factor declined markedly in Poland and Yugoslavia, mostly because small farms acreage lay fallow. In Czechoslovakia, particularly in the Slovak area, a considerable amount of arable land belonging to the few remaining independent farmers in the mountainous and bordering areas was abandoned in line with the final collectivization of the early 1970's. However, growth deceleration did not occur until the end of the decade and can only be partially explained as resulting from changes in soil utilization. Increased utilization in the GDR was caused essentially by converting many grazing and arable surfaces.

The indices for basic resources (production investment capital) shown in CEMA statistics contain their calculation according to an inflation factor, which however is probably lower for production goods than for consumer goods. The pronounced growth in expenditures (growth of basic resource reserves) in agriculture is reflected in production to an insufficient degree, if one considers the slowly (or, in the GDR, Hungary, Bulgaria and for the last few years in Poland, moderately) decreasing work force figures and the insignificant impact of changes in usable acreage. In net figures, the increase in production was still smaller, considering higher labor costs (meaning that the cost of labor per worker increased at a faster rate than the number of workers increased). Considering the inflation factor, cost increase per product unit

was probably least pronounced in Poland and Hungary, but most pronounced in Romania and the USSR. To that extent we can speak here, with varying emphasis, of agriculture as being a "bottomless barrel;" but in Poland, in the Balkans, like in the USSR, the burning problem is the increased demand backup in the food production sector.

Disregarding cyclical and local exceptions and recent events in Poland, present food shortages in Eastern Europe are primarily a consequence of increased demand, especially for higher-priced products, such as animal products, in conjunction with the growth decrease in agriculture. This can be illustrated by comparing production increase and income increase from 1970 to 1980, even disregarding the particularly critical year 1981.

Inasmuch as the general living standard is not yet high and the demand for industrial consumer goods and for services is only partially satisfied, there is quite a high income elasticity in the demand for food products; some East European authors estimate it to be between 0.6 and 0.8 and it appears to be significantly smaller only in Hungary, at 0.4.

The indices of increases in labor income in the attached table were converted to realistic values on the basis of official statistics. However, until 1980 the prices for basic food stuffs increased officially (i.e., in state or cooperative stores) as follows: only in Poland and Yugoslavia significantly to very greatly; in Bulgaria, Romania and Hungary moderately; in the GDR, the USSR and in Czechoslovakia not at all (though there was a small hidden increase). That is why the inflationary (nominal) increases in income, compared with the actual ones, must have had an above average impact especially on the demand for agricultural products. This caused the governments of Romania, Czechoslovakia and especially of Poland to decree large increases in retail food prices, which however by themselves will hardly be sufficient to stabilize the situation.

Disregarding the uncertainty in evaluating the effects of inflation, the discrepancy between rises in income and in agricultural production in Poland, Romania, Bulgaria and the USSR prove the existence of a pronounced demand backup in the food sector. It has developed particularly strongly during the last 3 to 4 years (in Yugoslavia the rate of inflation is so high, with such a divergence between its actual rate and that which is stated for official purposes, that this type of quantifying observation is hardly possible). Assuming a relatively small income elasticity for the GDR and Czechoslovakia for food demand, no signs are recognizable there for a surplus. Hungary is practicing a policy of gradually increasing consumer prices; considering its much lower coefficient of income elasticity, this results in a marked supply surplus which is evident within the country and is confirmed by large food exports.

On the whole, there is no evidence in Eastern Europe of the existence of factors which could within a few years bring about a noticeable growth in production. The almost continuous periods of bad weather over the last 3-4 years may be ameliorated by improved weather conditions; but that in itself would not be sufficient for a decisive change. An improvement in the food supply situation would have to be brought about principally through a reduction in demand, i.e., by means of actual incomes which would no longer increase or in fact would be lowered.

Table 1 [CSO: 2300/212]

	Productive Production		1974-76	Gross Agricultural Production			Total Salaries 1980 ³ (Actual)
	Soil Units	Resources		Three-Year Averages			
	1980 ¹	1980 ²		'79-81	1981		
				Actual	Planned		
Poland	97.4	172	117	102	100		192
GDR	103.1	163	118	125	(125?)	126	152
Czechoslovakia	96.8	187	116	123	122	129	137
Hungary	99.6	201	121	133	135	139	138
Romania	99.9	208	132	158	157	174	225
Bulgaria	101.4	176	113	123	124	125	176
Yugoslavia	96.7	-	123	appl31	(129-131?)	135	-
USSR	101.4	224	115	116	114	129	170

¹The synthetic productive soil unit used here equates arable soil and long-term planting at 1.0 and other surfaces used in agriculture at 0.2 in relation to their surface in hectares.

²In Eastern terminology, production resources represents capital for firm, productive uses, at original cost, without depreciation, but recalculated every few years to compensate for replacement cost.

³Not per worker or employee, but collectively. Agricultural producer cooperative member incomes were disregarded. Actual figures are calculated (probably somewhat high, especially for the USSR) by comparing official data about nominal and actual salary increases in the CEMA annual statistics compilation; for the GDR, they represent the author's estimate.

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CSO: 2300/212

INTERNATIONAL AFFAIRS

BRIEFS

YUGOSLAV AUTO IMPORTS--This year Yugoslavia will import 7,500 cars from Czechoslovakia, 5,000 from the GDR, and 1,750 from the USSR (with 1,000 of these [Soviet cars] tied to Yugoslavia exports). This was specified in a self-management agreement of representatives of producers and consumers on establishing and distributing the commodity quotas for importing passenger cars in 1982 from East European socialist countries. The agreement also established the number of motorcycles to be imported from these countries, namely: 1,500 from the GDR and 1,500 from Czechoslovakia; in line with this, efforts will be made to export parts for motorcycles and outboard motors produced at the "Tomas" plant in Kopar, and to export "Tomas"-produced motorized pumps, small agricultural machinery, and ski lifts to Czechoslovakia. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Mar 82 p 14]

YUGOSLAV BAUXITE TO CSSR--The Niksic bauxite mine will export \$9 million worth of bauxite ore to the CSSR this year; this is the first export from this mine in several years, since it has been oriented [solely] toward meeting the needs of the Titograd aluminum combine. This year, thanks to facilities for exploiting bauxite at several different deposits, it will be possible to produce a surplus above the 550,000-ton needs of the Titograd Combine. The deposits of red bauxite in the Niksic area constitute over 40 percent of the Yugoslav reserves of this ore. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Mar 82 p 3]

YUGOSLAV MINING MACHINES FROM USSR--In the next 2 years the Bosnia-Herzegovina coal mines will be newly equipped with \$17.3 million dollars worth of equipment from the USSR to be delivered through the "Rudarstvo-kemija," export-import organization in Tuzla, and the "Cvetmetpromeksport" enterprise in Moscow. The latest contract calls for total imports of mining equipment for mines in Bosnia-Herzegovina amounting to \$35 million purchased under favorable terms, [i.e.,] payable over 10 years with minimum interest. Contacts between the Tuzla economy and its Moscow business partner will probably result in exports to the USSR of food, shoes and clothing produced in the Tuzla region. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 31 Mar 82 p 7]

YUGOSLAV-CSSR TRADE--In the first 2 months of this year trade contracts valued at \$627.2 million were concluded with the CSSR, or 1.7 percent more than in the same 1981 period; this includes \$258.4 million of Yugoslav exports (18.9 percent less than last year) and \$368.8 million of Yugoslav imports (or 23.8 percent more than last year). In the first 2 months of this year Yugoslavia

exported \$34.3 million worth of goods, or 5.5 percent less than in the same 1981 period, while it imported \$57.2 million worth of goods, or 15.1 percent more than last year at that time. January and February trade contracts also call for non-clearing trade, namely, \$7.1 million in export agreements and \$8.7 million in import agreements. In 1981 the \$1.4 billion of total trade planned was exceeded by 3.6 percent; and trade was largely balanced and its structure in general accord with the plan, except in regard to ferrous and non-ferrous metallurgical products with which there are still problems. There are also still problems with high prices and late deliveries. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Apr 82 p 1]

YUGOSLAV TIRES TO ALBANIA--In accord with this year's export expansion, the "Tigar" Rubber Products Industry in Pirot recently concluded an agreement to export automobile tires to Albania, through the Skopje [export-import organization] "Interimpekspromet." During a visit to Pirot representatives of "Mashinimport" in Tirana expressed interest also in other "Tigar" products. By the end of July 14,000 tires, valued at 1.4 million clearing dollars, will be exported to this Albanian partner. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Apr 82 p 12]

CSO: 2800/345

IMPROVED CUSTOMER SERVICE SEEN KEY TO EXPORT SUCCESS

West German Commentary

Bonn IWE-TAGESDIENST in German No 9, 20 Jan 82, p 2

[Report from Berlin: "Criticism of Customer Services of GDR Industry." A translation of the East Berlin WIRTSCHAFTSWISSENSCHAFT article cited below follows this commentary]

[Text] The East Berlin periodical WIRTSCHAFTSWISSENSCHAFT [No 1, 1982] demanded that the GDR industry should follow the example of Western concerns with respect to service agreements to be able to compete better on international markets. Customer service is more and more becoming a decisive sales argument and an important factor in competition, and it has a strong influence on the stability of export lines, because last but not least crucial customer contacts are established via customer service organizations. Vice versa, the lack of service guarantees led to losses in markets and prices. Consequently many GDR companies are now facing the task of intensifying market research, making more effective use of workers available for the external sales organization as well as substantially expanding the core of experienced customer service experts. Moreover the supply of spare parts must be speeded up considerably.

Spare Parts Supply Essential

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30, No 1, Jan 82 (signed to press 15 Nov 81) pp 35-49

[Article by Dr Gunnar Umbreit, economist; born 1942; instructor, Institute for Socialist Economic Management, Dresden Technical University: "Better Customer Service in Export--Management Tasks and Experiences of Combines"]

[Text] In connection with a brief characteristic of customer performance levels that can compete on the world market, objective trends are being uncovered which will force the management of combines to focus more attention in their activities on the problems of customer service.

Of special importance is the presentation and generalization of management experiences of export-intensive combines and enterprises to provide technical-economic information as well as a stable and adequate spare parts supply to meet the demand. In the process the quality of products and the quality of customer service are considered as one unit. It is based on the premise that the increase in the performance level of customer service begins as early as the development of the product and continues until the product has been marketed effectively.

According to a directive of the 10th SED Congress dealing with the Five-Year-Plan for 1981-1985, combines are not only asked to increase exports but to include better customer service to be able to compete on the world market; the following statement is contained in the report to the 10th Party Congress:

"A total exhaustion of all our possibilities demands that all branches of the export industry manufacture profitable products of high quality. Equally important for a successful export trade is being informed and being up-to-date, anticipating market conditions, prices and terms of payment, generating an active sales activity, improving customer service and the spare parts supply."¹

The growing importance of customer service in export trade is the result of various trends and economic conditions:

--The replacement of human labor with automated labor is leading to a greater need of material equipment in almost all areas of production and social life; There are machines, equipment and long-lasting consumer goods, in other words, products which, as a rule, require an appropriate customer service.

--The application of new scientific discoveries makes many products technically more complicated, which requires greater expertise for their preparation, installment, operation and maintenance. Without the expert advice from the producer, the buyer is less and less able to perform these tasks.

--As machines and aggregates increase their capacities and get more involved in systems of machinery and equipment, every additional hour lost to production carries more economic weight. Consequently buyers are not only interested in potential performance parameters of machinery and equipment but also in what kind of guarantees the exporter will give with respect to their reliability and availability.

--An efficient customer service has many economic advantages for the buyer or the user. Qualified advice helps him with the use of a system of machinery which is intended for a specific purpose. By training and qualifying cadres of experts, the capabilities of the equipment can be used more efficiently, losses that are caused by improper handling can be avoided. Assisting the buyer with the assembly provides an opportunity for a prompt and effective start-up of operations. Preventive maintenance and quick repairs through the availability of adequate supplies of spare parts guarantee a high degree of

utilization of the acquired basic equipment as well as the steady use of high-quality consumer goods.

The result is that customer service is more and more becoming a decisive sales argument and an important factor in the competition on international markets. Service concepts for machinery and equipment are frequently judged as carefully as technical parameters. A lack of service guarantees frequently leads to losses of markets and reductions in prices. Extended guarantee terms for various products, for instance, have become a significant factor in the international war of competition. For utility vehicles, guarantees extending to between two and three years or troublefree driving for between 50,000 and 100,000 kilometers are now being offered, for light trucks the terms are five years or 160,000 kilometers troublefree driving. At the beginning of the 1970's, guarantees covered only 12 months or 20,000 kilometers of troublefree driving.

Nevertheless, a well-organized customer service is not only a prerequisite for the export of goods, it also creates opportunities for additional earnings in foreign currencies. The trend of increased earnings from services is noticeable when one looks at the statistics of capitalist concerns that cover products from a number of industries. In addition to spare parts, which for years have brought good prices in international trade (earnings for spare parts are up to 100 percent higher than for comparable components of the final product), foreign-currency receipts can be increased in intelligence-intensive services, such as consultations, preparation for use, handing over documents containing instructions for use and major assemblies. In this respect, the special advantage from the material-economic viewpoint consists of the fact that in connection with a high level of customer service, foreign-exchange receipts can be increased significantly for each kilogram of materials used for the production of goods for exports. With this in mind, the contribution made by good customer service to the processing of materials in the export trade is by no means insignificant.

In addition to economic functions there are also important political ones. The level of customer service is not only an indicator of the efficiency of the combine, but it also has a significant influence on the reputation of our country on international markets.

Customer service agreements are a great image builder and consequently they have a strong influence on the stability of export lines because, last but not least, crucial customer contacts are established by way of the customer service organization.

Another reason why customer service problems deserve more attention from the management of combines and export enterprises is because the effort and expense for cadres, funds and resources in these areas is growing and the efficient use of appropriated funds is becoming more and more urgent.

The Strategic Concept for Better Customer Service in Export

The establishment of customer service is a component of the entire concept of long-term planning of the work of the combine. The first question that must be answered by the strategic concept for customer service is, what kind of provisions are included in a customer service that can compete on the world market. At the present time, literature and practice are still presenting different views.² On one hand, there are some customer service provisions that are still limited to maintaining equipment at their present cash value; on the other hand, there are more and more authors who are advocating a considerable expansion of the spectrum of customer service agreements and to include in customer service technical and economic consultations as well as provisions for upgrading the cash value.

According to the experiences of progressive combines and enterprises, the following tasks should be considered a part of the strategy for customer service in export:

1. Services that will inform the customer of the actual value of the product. Among the items are, first of all, technical, organizational and economic consultations. Proceeding from the needs of the customer, products or services are to be selected that are best suited for a specific purpose. Informing the customer of the actual value also includes the training and qualifying of experts, in other words, enabling the user to realize the full potential of the product for his own purpose. The preparation of the necessary user documents is also one of the elements of informing the customer of the actual value.³
2. Services to provide the final touch and bring the product up to its actual value. The full potential of many products can only be realized after it has been completed on location ready for use by the customer. Services of this kind include the assembly and set-up of machinery and equipment as well as testing their readiness for full use at its location. Adapting the product to specific conditions of use on location is also a requirement for eaching the full potential of the product.
3. Services to maintain the actual value. They consist of preventative and routine maintenance, adequate supplies of spare and special parts as well as specific measuring and test devices. These services could be provided through guarantees or additional contractual agreements.
4. Services to upgrade the actual value. New findings in science and technology could be used to exchange morally worn-out components and parts of certain products without having to discard the entire product. The modification of machinery and equipment to meet new market requirements can in part also be realized through an exchange of components. Services of this kind upgrade the actual value of the product in the interest of the customer, and they are more and more becoming a part of the spectrum of provisions of modern customer service.

Whereas customer provisions that dominated in the past were those that dealt with completing and maintaining the actual value, of late provisions for conveying and upgrading the actual value are gaining increasing importance.

Looking at the quality of the product and its suitability for a definite purpose as designed by the customer, all four types of service mentioned above--information, completion, maintenance and expansion of the actual value--are directly responsible for improving the quality. They guarantee or increase the suitability of the product for its intended purpose and with this in mind they are a component of product quality. Vice versa, the product quality attained in production has a considerable influence on customer service provisions. The lower the reliability of the components of a product, for instance, the higher will be the cost of maintaining the actual value through customer service. The more complicated the construction and the use of the products, the more training provisions are required.

The above-mentioned spectrum of tasks is an indication that customer service cannot be a departmentalized task of a single division within the combine or enterprise. Expert advice requires the cooperation of specialists from research and development areas. In the constructive and in the technological development of products essential decisions are made about future service expenditures. Assembly and start-up operations of the products continue the production process. There are many interrelationships between the material management departments and the spare parts supply. At the same time it may prove to be beneficial to establish specialized enterprises for carrying out customer service tasks in combines, for instance, assembly enterprises, consulting firms.

Clear regulations are needed for the division of labor in customer service between the combine, the export enterprise and the foreign-trade company as well as the cooperation with production cooperation partners. With this in mind, the preparation of a suitable set of rules for combines seemed to be appropriate. In the process experiences are to be gathered to determine which customer service functions can be carried out centrally for the entire combine and which ones are performed more effectively by decentralizing them and assigning them to export enterprises. With respect to the spare parts supply, for instance, it can be expedient to delegate the total responsibility to the export enterprise. The advantage is not only a faster processing of customer inquiries, but it also makes possible short-term conclusions with respect to product development. When establishing division of labor for customer service tasks, the most important factor should be to process customer demands and requests the quickest way possible without many intermediate steps in the combine.

As far as the strategic concept for customer service is concerned, the question must be clarified, how a suitable external customer service organization is to be established in addition to the customer service organization within the combine (internal customer service organization). Neither a recipe nor a universally valid model is available. The type of merchandise, the specifics of the market, the size of shipments, customer service facilities available in the buying country as well as customer service agreements

of the competition have a decisive influence on the external customer service organization. Most of the time, the sale of complete industrial plants includes comprehensive service agreements, while in the case of a consumer goods sale the exporter's task is limited to providing an adequate spare parts supply. Whereas CEMA countries have internationally uniform norms and legal regulations for the orderly preparation, implementation and contractual establishment of customer service functions,⁴ each country in the non-socialist economic territory has different legal standards.

Considerations concerning the establishment of an external customer service organization presuppose a clear export strategy for the market in question. On one hand, the high economic expenditure for the establishment of an efficient domestic customer service organization within the country can only be amortized if a certain minimum of sales can be guaranteed; on the other hand, customer service-intensive products cannot be exported at a profit if an appropriate customer service organization is not available. To guarantee a high level of customer service, it is therefore necessary to aim for a certain limit per country in the sale of customer service-intensive products, which requires a concentration on crucial markets. Although many firms have begun to assume total responsibility for their own customer service agreements on international markets by establishing efficient customer service organizations, a thorough analysis is to be made to find out in which country and at how big a sales volume such an economic expense is worthwhile. Furthermore, an investigation is to be made to find out whether personnel and material requirements are adequate to assume independent responsibilities of all customer service agreements on a given market.

Many countries have had good experiences by using the combination of an independent customer service organization and domestic capacities. Consequently, many times the establishment of customer service centers, technical centers or central maintenance facilities proved to be beneficial; they are cooperating with domestic service support bases. In this respect it is particularly important that the developing countries equip domestic service facilities with the necessary technical equipment. A few firms are supplying the equipment free of charge, frequently even before the goods are exported, and they include the expense in the price of exported goods. Customer service centers can perform services for several enterprises of the combine or even for several combines. A prerequisite in a case like that, however, is the availability of customer service specialists in customer service centers or repair support bases who work for the individual product lines of the most important export enterprises.

When establishing modern training centers in customer countries, it may also be appropriate for several combines to combine their capacities. Particularly in African countries which have a strong need for training opportunities the establishment of large efficient training centers is to be recommended for several combines.

By placing foreign trade enterprises directly under ministries for industry or combines, favorable conditions are created for transferring customer service tasks to technical-commercial offices to an even greater extent than has been the case to date.

In addition to being responsible for customer service centers, technical-commercial offices are also performing an important administrative function in customer service, because even on markets that do not seem worth the effort of establishing independent capacities for customer service, the exporter must feel responsible for the smooth operation of the customer service, since inadequate customer service can always mean a serious danger for the stability of the export line.

Of course, even in the area of customer service, higher demands must not and cannot lead to a substantial expansion of personnel and material capacities. On the contrary. Better service is placing strict standards on the effectiveness of customer service. Analyses have shown that there are still many reserves in this area. Considerations for tapping these reserves begin with the question, where can which customer service functions be solved most effectively, in the manufacturing plant, the customer service repair shop or at the location of the customer. Among the questions that arise are: Is the customer's place the best location to repair a physically worn-out part, or is it more efficient to regenerate components in the industrial plant; is it simpler to have the repairs done by specialists supplied by the producer or enable the customer to do the assembly or repair work himself?

There are two roads that are generally taken to establish a rational customer service. The first one is a substantial improvement in product quality, particularly with respect to the reliability of components that wear out fast. Included is the creation of technological solutions that could be used to avoid losses resulting from the breakdown of equipment due to damages. Computerized relay systems, for instance, offer possibilities to register the breakdown of damaged equipment and transfer the functions to other computers. The second road is the rationalization of customer service functions on the market, for instance, by establishing procedures to locate defects, by exchanging components or increasing the qualifications for operators. By simplifying the service and maintenance of machinery and equipment, the cost for necessary training can also be reduced. Furthermore, reserves can also be tapped by improving estimates and norms for automated work and work performed by humans in customer service, although variabilities of conditions on individual markets complicate the establishment of norms for expenses relating to assembly, repair and maintenance and a comparison of services based on it. In the future more thorough consideration will have to be given to equipping customer service facilities with tools, test and measuring devices to justify the economic outlay required for increasing capital investments. A decisive factor for all economy measures in customer service is to guarantee complete suitability of the product for the purpose intended by the customer at the lowest cost possible and covering the period of its use.

Technical-Economic Consultations as Component of Customer Service

The growing significance of technical-economic consultations will also have to be considered a part of the spectrum of customer service provisions capable of meeting competition on the world market. As a matter of fact, today's tasks already go way beyond the actual meaning of the original concept of

consultation. They extend from the introduction of the product via application procedures and projection provisions to, finally, the support in the management and organization of production, often including assistance with the sale of manufactured products on third markets. In a comprehensive manner, consultations or information on the actual value also includes the preparation of appropriate user documentation and systems documents. Qualified technical-economic consultations help the customer to apply more rapidly new scientific solutions to production to find a suitable product solution to fit a specific purpose and to avoid production losses caused by improper assembly and maintenance. Experiences gathered by current users of the technology can be transmitted to the customer.

At the present time, profits from consultations and user documentation in various product lines are already higher than those from the export of goods. With respect to data processing equipment, for instance, the sale of systems documents (software) in part accounts for 60 percent or more of the total earnings from the equipment. As a consequence, high foreign-currency earnings for the sale of consultation services led to the establishment of independent consulting firms, engineering firms or consulting bureaus as well as the formation of independent software houses. Most of these firms have specialized almost entirely on the export of consulting services and systems documents. When transactions involve large investments, it is now customary on capitalist markets to seek advice from consulting or engineering firms. At the request of the customer, these consulting firms frequently monitor also the realization of the investment business.

Consulting services as a component of customer service begins as general advice to customers before the sale, they continue as a specific consultation in connection with sales negotiations and, finally, after the sale they result in constant customer care.

General advice to customers is designed to familiarize a large number of potential customers with the products offered by the export enterprise. This way the tasks of advertising blend more and more with those of general advice to customers. The purpose of general advice to customers is to point out to them the advantages of the actual value of the product for the customer's purpose. In addition to factual, convincing arguments, psychological studies are required to get the information across to the customer. An advantage exists if the proposed market already has a customer service organization which can be used to establish personal contact with the customers. Even with this aspect in mind, it is expedient to consider consulting services as a part of customer service functions.

Many different forms and methods are used to carry out general consulting work. In cases of technically complicated products, a proven method is to familiarize the customer with these products during fairs and special exhibits; today not only products are introduced on these occasions but more and more problem solving ideas are offered to be used by customers. When it comes to data processing equipment, not only the equipment (hardware) as such but also problem solving for information processing is demonstrated in concrete, specific cases. This approach is in full agreement with customer re-

requests, because the customer is not only interested in the technical parameter of the equipment but also in the use of the equipment under specific user conditions and its attainable effects. Another factor that proved to be of benefit is a demonstration to the customer of the capabilities of products when it comes to functioning under the conditions of the respective country. It is the most convincing form of advising customers about products, the capabilities of which are strongly influenced by specific operating conditions, for instance, agricultural machinery.

More and more frequently special lectures, so-called technical days and symposia are used for general consultations with customers. These meetings provide good opportunities to listen to the experiences of users of imported machinery and equipment from the GDR. The circle of listeners should not be too big to permit personal contacts with customers. A decisive factor for the commercial success of symposia and special exhibits is the degree to which a manufacturer is able to invite potential buyers and not merely interested experts.

A special form of customer consultation for initiating business consists of mailing announcements, mostly in response to inquiries or written requests from customers. This form is used extensively for the export of capital equipment. In this respect the following experiences are to be given special consideration:

--The offer must be a genuine reflection of the capabilities of the export enterprise. It includes a real assessment of the capabilities of the most important cooperation partners.

--By preparing a basic package of offers in a standardized form, the exporter must be in a position to send to the customer within the shortest time possible an offer which responds to the specific wishes of the customer.

--When listing prices, current world-market prices are to be taken into consideration to avoid extreme price variations when compared to offers by competitors.

--A good practice turned out to be the enclosure of references listing past successes of completed exports of capital equipment.

One of the tasks of general advice to customers is giving adequate information to potential buyers about the available services from the export enterprise, without prematurely selling internal information on product development or specific user documents. As a result, much depends on the ability of the sales and customer-service engineer to give to the customer the necessary but not all possible information about the enterprise and its export products.

In connection with the contract negotiation specific consultation with the customer begins. The topic is no longer conditions for use and operation affecting a large potential circle of customers but specific operating conditions for a single customer.

Consequently consultation work requires prior study of the conditions for use. Of course, individual products require varying degrees of detailed knowledge of specific operating conditions. Particularly in the case of capital-equipment exports, studies for use and operation can already be sold as separate services (preinvestment services). Because essentially the customer request is already shaped by the kind and the result of the analysis of operating conditions, capitalist consulting firms use their preinvestment services for authorities and government agencies to exert a direct influence on future requests and terms for shipments. Even the application of equipment in conformance with customer requirements presupposes a thorough knowledge of the conditions for use. Furthermore, knowledge about specific user conditions in certain countries can lead to conclusions for the new and continuing development of products.

The producer of machinery and equipment does not always have available in his own enterprise the specialists that are required to prepare use studies and offers for the customer. Therefore close cooperation is necessary between producers of machinery and equipment and experienced users of these techniques in the GDR to conduct qualified consultations with customers on external markets. In the area of data processing, the practice is becoming more and more prevalent to prepare systems solutions jointly with users in the GDR and to export them to third parties. Naturally, it presupposes that participating users in the GDR are to develop material interests in the export of such systems documents.

The growing significance of the sale of consulting services and systems documents requires that combines and enterprises orient their research, development and projection capacities more strongly toward such tasks and expand the affected areas. It is also necessary to stimulate the production of these nonmaterial services more vigorously and to include them in the efficiency assessment of combines and enterprises. It means, for instance, that suitable regulations are to be found to determine the extent to which consultation services or software can be recognized as a part of the industrial production of goods and be computed as such.

The buildup of stable export lines requires that the customer receives advice and services even after the sale of goods. Customer advice after the sale--customer care--includes assistance and support during necessary repairs, breakdowns and constructive changes as well as informing the customer of new findings that affect the operation of the machinery and equipment.

An effective way of realizing such customer contacts turned out to be the establishment of user groups for products or product groups. Under the direction of GDR customer service specialists, users belonging to the user groups have the opportunity of exchanging experiences on the respective market while operating GDR products and to make suggestions to the producer for the further development of his equipment. He, in turn, can introduce his new developments in the user group. At the same time the user group can stimulate new customers to make purchases.

The consultation after the sale is very important for maintaining stable customer contacts, even if there are no special problems. A good service distinguishes itself by caring about the customer, but not only when the supplier wants to sell something.

Spare Parts Supply—Key Item of Customer Service

A central question of consumer service in export is the adequate, reliable, fast supply of spare parts to customers. Losses due to a breakdown of highly productive machinery and equipment, increasing economic as well as social burdens during production interruptions have been placing a constant pressure on delivery terms of spare parts. Even in international trade, the availability of spare parts within a period of 24 to 48 hours after reporting a failure is today no longer a rarity. To an even greater degree, exports firms that can compete on world markets are meeting the demands and requests of their customers even after warranty periods have expired. They are still guaranteeing a short-term and uncomplicated supply of spare parts.

In recent years many combines increased the production of spare parts faster than the production of goods. Consequently the share of spare parts production as a proportion of all goods produced increased substantially. It explains a trend which has been noticeable in various product lines, according to which the growth in the need for spare parts has been above the average.⁵

The increase in the production of spare parts, however, is only one way of improving the spare parts supply. The principal solution of the problem begins as early as product development.

The replacement of components or an entire group of parts is caused by defects in the development or during the manufacturing process of products or through the physical wear and tear during use (corrosion, exhaustion, age, overloading). Even Marx made a distinction between the two kinds of repair work: "Weaknesses of childhood" because of errors in research and production and "weaknesses of the age beyond the middle years" because of natural occurrences of wear and tear.⁶

In other words, possible damaging processes during use can already be met effectively during product development. The lower the number of troublesome components is in a product, the lower the expenditures will be for keeping spare parts available. Consequently, from the very beginning products are to be developed and produced in such a manner that as few parts as possible are needed as replacement parts for physical wear and tear during operation. Such an approach corresponds to the fourth point of the economic strategy of the 10th Party Congress containing the following statement: "Quality work demands that the development of new products be based directly on the most advanced scientific-technical results. Ambitious performance parameters must be accompanied by reliability and durability."

To increase reliability, many export enterprises found it beneficial to test function samples and zero-series products for their wear and tear, in close cooperation with the coworkers in customer service and important users.

Customer service areas have gathered sufficient experiences about weaknesses of products and causes for damaging processes. Every one of these experiences must be thoroughly analyzed during product development.

The fact that there are a number of products that are more expensive to maintain than to produce, persuaded many producers—even on the international market—to pay more attention to the durability of their products as early as during the stage of product development. Furthermore, by increasing the durability of their products, a significant amount of materials can be saved, which is needed to replace physically work-out products and components. Because of the growing expense of raw materials and other materials guarantees of life expectancy have become an essential sales criterion on export markets. Of course, there are also economic standards for the increase in reliability. Expense and usefulness must be properly related to each other. Thus it is theoretically possible that a product is completely maintenance-free and absolutely dependable for many years of use, but the necessary expense compared to the benefit of its use is not supportable, not to mention the moral wear and tear of such a product. Moving customer service functions from the market to product development and production also has its economic limits. The most effective choice of location certainly is the one where increased outlays for reliability and resulting lower costs for maintenance and up to lower expenditures.

Of considerable influence on the need for spare parts is the quality of products manufactured on the assembly line as well as the quality of packaging and transportation. Constructive solutions based on limited maintenance provisions must therefore include appropriate packaging for export.

In addition to improving the resistance to wear and tear, more emphasis in the research and development process should be placed on construction that is suitable for assembly and maintenance. In the interest of the customer and to shorten periods required for repairs, it should be possible to exchange defective components easily and quickly, which also means that if one part is worn out it should not be necessary to replace a whole group of parts. Furthermore, limiting the variety of parts through consistent standardization facilitates the supply of spare parts.

As the technical complexity of machinery and equipment increases, it is also becoming more difficult to locate the trouble when equipment breaks down. For this reason it is imperative that the necessary diagnostic procedure be prepared for finding troubles while the product is being developed and to share with the customer solutions for dealing efficiently with problems. In automobile maintenance, for instance, international standards are established through computerized diagnostic equipment, which by now has been developed sufficiently to be able to convert the results into oral statements which can be communicated to the automobile mechanic.

It is well-known that in addition to the physical wear and tear the life expectancy of a product also depends on moral wear and tear. In this respect, scientific-technical progress does not always lead to better solutions for the entire product, frequently only individual components or groups of parts

are affected. Thus the customer develops the desire to exchange morally worn-out parts for groups of parts that lead to an improved or expanded usability of the product, improving its suitability for its intended purpose. The possibility of such an exchange, which is to be considered even while the machinery is being built, offers to the customer the advantage of a selective renewal process, and to the export enterprise it means that following the initial sale of the equipment there are also stable export opportunities for important groups of parts for the product.

An adequate spare parts supply to meet the needs of customers requires a thorough assessment of the need for spare parts. Spare parts are needed in a specific combination, which means that if one single part of the combination is missing, the availability of all the other spare parts becomes ineffectual. To be able to make an accurate assessment of the need for spare parts as soon as new products are introduced on the market and to avoid a delay in gaining the necessary knowledge about possible breakdowns of components and groups of parts until the equipment is operating under specific customer conditions, it is necessary to find out about this breakdown possibility as early as during the process of development. At least for important components and groups of parts norms of wear and tear are to be documented scientifically-technically or based on experiences and statistics to determine the need for spare parts.⁸

In addition to the wear and tear characteristics for test machinery, broad tests are conducted on various markets to determine the behavior of damage of mass-produced machinery. It is particularly important when a product is intended for export to countries where machinery is frequently exposed to a great variety of operating conditions (special climatic characteristics, soil conditions). Among other things, modifications of the average breakdown conditions, for instance, appear because of a varying intensity of use of the machinery, the quality of operation, maintenance and care as well as the purpose for which the machinery is used. Even the repair technology of the customer has an influence on the specific need of spare parts. To be able to find out wear-coefficients typical for various countries therefore requires close cooperation with the users. The conclusion of contractual regulations with important customers to establish the norms of wear typical for certain countries has been beneficial.⁹ Particularly in developing countries it is recommended that consultants be used for the establishment of spare parts management and for gathering as much solid information as possible about the need of spare parts. Such consulting services can also be operated independently, based on contractual agreements.

The need for spare parts is not a constant matter and its full need is not apparent at the time the product is introduced on the market. Already Marx called attention to it when he wrote, "The more it (the machine--G. U.) goes beyond its medium life expectancy, in other words, the more the normal wear and tear is compounding and the material of which it is made is becoming brittle and weak, the more frequent and significant repairs will be needed to keep the machine operating until the end of its average life expectancy."¹⁰ Accordingly the need of spare parts develops differently from the need for the products. The need for spare parts does not reach its climax until the

marketing period for the product is nearing its end. Consequently, most of the time spare parts are produced longer than the product itself. It can lead to special production expenditures that will affect the price of spare parts. If standardized components are used, a part of the need for spare parts for products that are no longer in production can be satisfied with groups of parts of the new product. In case of requests for spare parts for products that were discontinued a long time ago or when the demand for parts is extremely low, it may be appropriate to give to the customer the construction documents to enable him to manufacture the part himself.

The long-term assessment of the need for spare parts and the consideration for putting together a combination of parts to be included in production plans, trade agreements and export contracts does not exclude short-term changes in need and customer requests. For this reason measures have to be taken during production to increase the ability to respond to short-term customer requests in addition to qualifying the assessment of the need for spare parts.

To be able to make spare parts available on a short notice, an adequate inventory is required to be placed--depending on the situation--at the location of the customer, the producer, the representative, at customer service bases or repair shops. The establishment of centralized spare-part warehouses in combination with the use of data processing as well as modern transportation technology--an international trend--has already led to a noticeable improvement in the spare parts supply for several combines; in the process, particularly the time of response for the shipment of spare parts to export countries could be increased. This road is much more effective than tying up funds and workers in many small warehouses involved in the spare parts business. It is important to find a favorable economic relationship between saving money for warehousing and the accompanying higher cost of transportation. The size of spare parts inventories is to a considerable degree determined by the extent of mass production of certain products and parts. Since the manufacturing of large amounts of spare parts reduces the cost of production, it can compensate for the high storage costs for spare parts.

It is essential for export that the exporter supports the customers when they are establishing a spare parts business for his products. A fundamental condition for establishing a spare parts business is making available to the customer as soon as possible spare part catalogues with up-to-date information. For many products it seemed beneficial to establish guarantee spare-parts warehouses or to deliver to the customer a basic supply of a combination of spare parts along with the product. When assisting with the proper storage of spare parts, special attention must be given to the climatic conditions of the importing country.

With respect to those spare parts that are needed in large quantities, it may be useful to establish in the importing country special production capacities. Such solutions should be discussed and decided jointly with the customer. It could be useful particularly where the exporter has capacity problems when it comes to the production of the appropriate parts or if the customer wants to take out a license to assemble or produce the final product at a later date.

With respect to maintenance, a trend which is becoming more and more prevalent is to avoid making mechanical repairs to machinery and equipment "on location" and to exchange defective parts or regenerate them industrially. It leads to faster repairs and thus permits the customer to make better use of the capacities of machinery and equipment. Another reason is that industrial regeneration saves valuable material resources. Because of constant increases in material prices during the last few years--also in international trade--more attention is being paid to questions concerning regeneration. In this connection a number of questions are to be solved. For instance, thorough economic calculations are necessary to determine the cost of regeneration,

--compared to new products;

--to decide whether regeneration is to take place in the country of origin or in the importing country.

Customers are to take a material interest in the implementation of regeneration programs. If during the process of regeneration the customer is facing higher costs for the preparation, storage and transportation of the parts that need to be regenerated, an alternative must be available in the form of lower prices for regenerated parts or an offer to make up for it when worn-out parts are repurchased.

With the increase in national and international cooperation with respect to product components, the proportion of spare parts that is produced by cooperation partners is also growing. Therefore the producer of the final product and the exporter can only meet his responsibility of adequately supplying spare parts to customers by cooperating closely with the cooperation partners. At the present time, parts parts for many products. Cooperation relations with hundreds of suppliers for each product are not a rarity. In spite of the trend of an increasing share for cooperation groups, the responsibility of the producer of the final product for spare part shipments must be fully maintained. As far as the foreign customer is concerned, the producer of the final product and not several hundred suppliers must be the competent partner.

The spare parts supply requires special attention within the framework of international cooperation. In this area strict regulations and economic measures are also required to guarantee a stable spare parts supply.

Finally it must be pointed out that the growing tasks in customer service for combines and export enterprises will place high demands on the cadres that are involved in this area and on their political, technical and linguistic qualifications. Many enterprises are therefore facing the task of intensifying their market research and using effectively existing cadres involved in external sales and purchasing organizations as well as expanding extensively the core of experienced customer service cadres. At the present time, there are already several combines that have instituted vocational training (special classes for customer service technicians) to provide a long-term supply of cadres for customer service. In addition to qualifying independent customer service cadres for long-term or short-term use abroad, cadres are to be

qualified at the user's location or generally on the market to take over customer service functions. Furthermore, customer service organizations as well as workers from third countries can be contracted to provide services.

FOOTNOTES

1. "SED Central Committee Report to the 10th SED Congress." Reporter: E. Honecker, Dietz Verlag, Berlin, 1981, p 85.
2. In the "Woerterbuch der Aussenhandelspraxis" [Dictionary of Foreign Trade Practices], customer service is defined as "Product related services to guarantee and maintain the market value of sold products.... Among the most important components of customer service are: a. assembly, b. training and qualifying of assembly, maintenance, and operating personnel of the customer/buyer, c. maintenance..., d. supply of spare and specialized parts." ("Woerterbuch der Aussenhandelspraxis," Verlag Die Wirtschaft, Berlin, 1977, p 105); the "Woerterbuch der Oekonomie des Sozialismus" [Dictionary of the Economy of Socialism] includes in customer service "services for the customer of goods before, during and after the purchase. The basic functions of customer service are economic, scientific-technical and organizational consultations with customers, the start-up operation (assembly), repairs, spare parts management and maintenance." ("Woerterbuch der Oekonomie des Sozialismus," Dietz Verlag, Berlin, 1979, p 533); Model also considers advisory activities as belonging to the basic functions of customer service (cf. H. Model, "Der Absatz in der sozialistischen Industrie. Aufgaben, Methoden, Organisation" [Marketing in the Socialist Industry. Tasks, Methods, Organization], "Schriften zur sozialistischen Wirtschaftsfuehrung" [Writings on Socialist Economic Management], Dietz Verlag, Berlin, 1973, p 206 ff.).
3. Among user documentations in its broadest sense are, among other things, application projects, user programs, programming documents, instructions for use, assembly instructions, repair manuals, spare part catalogue, lists of spare parts that wear out in the native language of the user.
4. Cf. "General customer service conditions for machinery, equipment and other products that are provided for the execution of foreign trade operations between authorized organizations of the member countries of CEMA" (AKB/CEMA, 1973); "General conditions for the assembly and implementation of other technical services in connection with reciprocal supplies of machinery and equipment between the foreign trade enterprises and CEMA countries" (AMB/CEMA 1973); "General conditions for shipments of goods between the organizations of CEMA members" (ALB/CEMA, 1968/1975, in the 1979 version); "General principles of spare parts supply for machinery and equipment shipped in reciprocal trade between CEMA members and the Socialist Federative Republic of Yugoslavia."
5. Cf. V. Buehring and J. Hoeren, "Erhoehung der Ersatzteilproduction durch Spezialisierung" [Increase of Spare Parts Production Through

Specialization], DIE TECHNIK, No 2, 1978; H. Holzmann, "Untersuchungen zum Einfluss der Erzeugnisentwicklung auf die Senkung des Ersatzteilbedarfs" [Analysis of the Influence of Product Development on Lowering the Need for Spare Parts], Dissertation A, Technical University, Dresden, 1979.

6. K. Marx and F. Engels, "Works," Dietz Verlag, Berlin, 1956-1968, Vol 24, p 175.
7. SED Central Committee Report to 10th SED Congress, op cit., p 54.
8. Cf. B. Thieme, "Leitung, Planung und Organization zur Verbesserung der Ersatzteilversorgung im VEB Kombinat Fortschritt Landmaschinen Meustadt" [Management, Planning and Organization for the Improvement of Spare Parts Supplies in the Combine Fortschritt Landmaschinen Neustadt VEB], DIE TECHNIK, No 6, 1978.
9. Models of computerized damage assessment in connection with principal users are also used in the Robotron Combine.
10. K. Marx and E. Engels, "Works," op. cit.

8991

CSO: 2300/203

CHIEF INTERVIEWED ON WAGE AND LABOR COMMISSION ACTIVITIES

Budapest MAGYAR HIRLAP in Hungarian 13 Mar 82 p 5

[Interview with Dr Albert Racz, director of State Office for Wage and Labor, by Ilona Peter: "Contemporaneously, Exactly"]

[Text] Dr Albert Racz was born in 1928. He received his degree in economics in 1952. He worked as a departmental trainee, then as a professor's assistant for the department of statistics. In 1958 he became a colleague of KSH [Central Statistical Officer] where he later became deputy director of the industry department, then director of the economic department. He is an honorary assistant professor. Currently he is an undersecretary and director of the State Office for Wages and Labor, the legal successor to the Ministry of Labor.

Almost a half year has elapsed since the Council of Ministers created the State office for Wages and Labor. The measure has been effective for the modernization process of state direction, the effect of which is producing sensible changes and movements in the upper levels of direction, and in the life of organizations with national scope. It brought along with it the clarification and rethinking of tasks and scopes appropriate to the social and economic changes which gave rise to new problems and tasks for direction. How is the new institution for the state direction of labor questions adjusting into this process, and how is it finding its niche? Dr Albert Racz, undersecretary and director of the State Office for Wages and Labor replied to the questions of our colleague, Ilona Peter.

[Question] What range of tasks does the institution take care of? What belongs to its jurisdiction and what does not? Questions such as these are still often asked because many do not perceive the tasks of the institution clearly. Often we may also meet with uncertainty and misunderstandings. There were some, for example, who professed to discover the abandonment or the withdrawal of state direction of this area in the abolishment of the Ministry of Labor. What is the true picture?

[Answer] The decision of the Council of Ministers directing the establishment of the institution of the State Office for Wages and Labor, and at the same time designating its tasks has provided a clear and unequivocal answer to this question. The government has not released the direction of this important area from its control, although with the modernization of overall state direction (for example, institution of the Ministry of Industry) it has increased the self reliance and responsibility of enterprises even in this respect. The task of our bureau from its inception has been the state direction and coordination of wage and labor matters. This, naturally is not a brand new task, because with the discontinuation of the Ministry of Labor the continuity of our work is most perceivable in these two chief areas--which even appear in the name of our bureau. The modernization of direction, however, in addition to the organizational changes, demands the qualitative renewal of the work from us.

[Question] What progress has been made in "Internal" reorganization?

[Answer] After our establishment we formulated our tasks and our spheres of responsibility in wage and income policy, in employment research and in international cooperation. Two large areas of scope comprise the backbone of our activities--employment and wage policy. In determining our tasks we took as our starting point the political and government programs which are intended to implement total and effective employment concurrently in Hungary. Our work and all our efforts are towards this goal. We are participating in laying the groundwork for short and long range national economy plans for the development of employment, wages and incomes, and in the formulation of the necessary measures. We do this with our own specific methods. For example, we study manpower resources and needs, we closely follow the development of wage and income proportions and we prepare recommendations for their development. There is also a long line of exploratory, process analyzing and forecasting efforts with which we desire to assist the laying of a sound foundation for central decisions. These are also serving to provide a basis for the formulation of suitable statutory provisions.

[Question] According to this, does strong concentration characterize the work of your bureau?

[Answer] We are endeavoring towards it. We are directing our attention to the chief processes and tasks. Naturally we are keeping a vital relationship with practice. The goal in our decrees is not to provide up to date "recipes" which can be adopted everywhere, since the variety of social and economic life does not tolerate rigid regulation. In addition, in the performance of our tasks, we are systematically implementing the harmonization of social and economic interests. This assists in the understanding and acceptance of labor measures and regulations.

[Question] Who is now responsible for social policy and for plant and labor organization, tasks which previously belonged to the Ministry of Labor?

[Answer] According to the decision of the Council of Ministers, several authorities and offices are now dealing with social policy tasks. Thus, for

example, the National Planning Office is conducting the coordination within the framework of the national economy plan. Numerous tasks dealing with family policy and the health of workers were transferred to the Ministry of Health. The Social Security and Health Insurance Department of SZOT [National Trade Union Council] took over child care assistance matters requiring special handling, and the Finance Ministry is taking care of social policy matters which directly affect the budget.

[Question] The population has difficulty in following this reorganization and the redistribution of work which has taken place within the structure of state management. Questions of "what to address to whom" also occur often, especially for social policy problems.

[Answer] We ourselves are aware of this through our clientele, and through the volume of mail we receive. However, we are also aware that as far as the citizen is concerned, social policy appears related to working conditions. Thus we consider it natural for the people to seek answers from us. More time is required for the population to learn and to become accustomed to what matters are the province of whom. At the same time, social policy and employment matters also have numerous conjunctions, such as, the employment of pensioners and of those rehabilitated from health problems. Such cases, and generally matters directly related to working conditions and employment continue to belong to our bureau.

[Question] For plant and work organization also?

[Answer] No. The Council of Ministers has abolished the central authority coordination of enterprise work organization. Today we consider it logical and expedient for branch direction and the scientific institutions and organizations concerned to be occupied with organizational tasks.

[Question] In recent months, important employment measures which are affecting all of us have been enacted. We are specifically referring to the introduction of the new order of the five day work week and paid vacations. How did you manage to succeed with these since it is not a secret that you had to resolve the reorganization of your institution which entailed no slight problems, at practically the same time.

[Answer] Life does not come to a halt because of reorganization. We cannot stop working or cease functioning for even one minute. Our situation constrained us to work out the possibilities latent in cooperation with our sister organization as much as possible. The new modus operandi of our organization was developed and shaped "along the way." In my opinion our collective has stood the test. The changeover to the shorter work week, which affected nearly 3 million workers on 1 January 1982, took place with relatively few problems. This, however, does not mean that the task has been completed. During this half year another 120,000 workers will change over to the 42 hour work week. Moreover, in September, the nearly 180,000 education workers will change over, followed by the agricultural workers. From our observations to date, I would like to stress the importance of the cooperation between the state directive and social organizations, especially

the roles of the councils and specialty organizations which implement social control through their participation.

[Question] What other tasks are currently occupying the bureau?

[Answer] One of our most important tasks is the wage system, and within it, the modernization of wage regulation. Beginning next year, the implementation of modifications which will assist and promote efficient operation will be absolutely necessary. We shall continue to participate in the exploration of the causes of tensions appearing in employment, and we are developing recommendations serving to balance manpower supply and demand. We shall return special attention to assisting in the placement of young people just beginning their careers. In addition to performing timely wage and employment tasks, we shall prepare the new statutes for working conditions and the necessary modifications to the Labor Code Book.

[Question] In recent months uncertainty about the labor affairs apparatus was discernible at several enterprises. They complained of a decline in the prestige of labor questions. What are your views on this?

[Answer] At some places they are having difficulties in freeing their minds from the old conditioning--they are still expecting solutions to local labor affairs problems "from above." As I mentioned, we do not intend to lend assistance here since it is not our task to provide recommendations in all areas and for every detail. To those who perhaps are expecting this and thereby hope to have the prestige of labor affairs increased, we must clarify that the practical direction of employment belongs to the sphere of the local enterprise management. Moreover, it is among the most important of their tasks which requires increasingly greater self reliance, local independent action, flexibility and area cooperation. There is also a need for well trained specialists. Naturally, we consider it to be our fundamental task to assist and to make efficient manpower and wage management possible through our directives, regulations and instructions. Central interference with the employment measures of individual enterprises, or even cities or megye's would not be a sensible thing to do, as long as they do not break the law, and as long as these serve to promote good and workable management. Thus the role and importance of manpower and wage management will not decrease in the future, but will require more self reliant methods, local initiatives and an increase in efficiency in all areas of labor. We are also endeavoring to lend assistance in the implementation of these tasks.

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COUNCIL OF MINISTERS DISCUSSES SHORTAGES IN INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 5 Mar 82 p 7

[Article by Maria Lakatos: "On the Agenda of the Council of Ministers: The Paris Situation"]

[Text] Several dozen newspaper pages would not be enough to list those industrial parts in short supply. For years the materials acquisition people of enterprises have been looking for cardan shafts, compressors, motors, pins, nails and screws. Often equipment of great value is nonoperational for months or half the industrial park of a producer cooperative is crippled at the height of the season for the lack of spare parts costing literally pennies. The parts supply for agricultural machines and highway vehicles causes the biggest problem. According to statistics, the situation is not so serious. For example, in 1981 industry accepted 100 percent of the parts orders for domestic agricultural machines and ultimately satisfied 98 percent of the demand. The same percentages are valid in other sensitive areas. But this picture, which appears favorable, does not reflect the real situation; during the year great backlogs piled up for some parts, and deliveries were uneven.

At the request of the Economic Committee, the Ministry of Industry, the National Materials and Price Office and the Ministry of Foreign Trade prepared a joint document concerning the parts supply situation. The GB [Economic Committee] discussed the report in February and accepted its recommendations. We asked Dr Mrs Dezso Csurgay, a deputy main department chief in the Ministry of Industry, about the present situation and about what changes could be expected in industrial parts supply after the decisions of the GB and the government.

[Answer] Our analysis represented the first step in disclosing the nature of the problem; this is why we evaluated the parts supply for agricultural machines and highway vehicles, which causes the most trouble. We found that inadequate enterprise cooperation is chiefly responsible for the errors; there is also a significant shortage of capacity. Indeed, we found cases where an apparent conflict of enterprise and national economic interest caused a shortage of parts.

[Question] The producers are not interested in appropriate parts manufacturer?

[Answer] That is not what is involved. We were surprised to find that some producing enterprises put great emphasis on having the best possible foreign exchange balance reflecting their direct export and import. So they do not order parts that can be acquired from imports and are needed by other firms, thus decreasing their total import. Perhaps they are afraid that they will be judged on the basis of the development of the balance. But there are no material consequences from a deterioration in the enterprise foreign-exchange balance. The GB took cognizance of the proposal that from now on the Ministry of Foreign Trade will separate in its documents import by the enterprises that is not for their own use. Of course, such cases are not characteristic of the parts supply. For example, there is still no regulation on how long one must manufacture spare parts for machines and equipment. There is only a decree in regard to consumer goods obliging the manufacturer to make spare parts for a few years. It is the task of the lawyers of the Ministry of Justice to modify the regulations.

[Question] A provision did go into effect last year that makes it possible for parts manufacturers to charge their domestic customers as much as 1.5 times the profit obtained on the foreign market.

[Answer] There is such a provision. But--going beyond the matter of interest--parts production is also harmed by bad cooperation among enterprises. Contract violations are common and the customers do not ask damages for missed deliveries; to a large extent the parts market is still a sellers' market. A final-product view has prevailed for decades; it may be in vain to sell spare parts at a higher profit. There is little common, coordinated development. In many cases, import is much more favorable than cooperation--especially if the article desired comes from Western countries.

Sometimes--for example, in the case of products replacing socialist imports--manufacture is hampered by the fact that there are not enough orders, and it is not possible to produce economically and cheaply in small series. The spare parts supply problem cannot be studied without looking at the faults of the support industry. We attach great hopes to the newly developing small enterprises and associations--but the ministry does not want to intervene in the development of the production structure. In any case, we do want to encourage them to manufacture spare parts.

[Question] The domestic enterprises buy some parts from CEMA countries.

[Answer] Unfortunately there are failures to make delivery. Where possible, a domestic firm temporarily makes up the missing delivery, but over the long term we are trying to sign new contracts and enterprises cooperation deals with our socialist partners.

[Question] The rather complicated system of domestic trade compounds the faults of production....

[Answer] The Tool and Machine Marketing Enterprise and the Technical Goods Marketing Enterprise have created a so-called Technical Advisory Service to improve trade. By seeking free capacity, the new organization--surveying the

the needs--may find producers for the items in short supply. If this form should spread, it would do much to improve the supply of spare parts.

[Question] What changes can we expect after the GB decision?

[Answer] As I mentioned, legal regulation is being modified. We can expect supply problems to moderate with better cooperation among industrial enterprises, by organizing an exchange of information between manufacturers and users and with the help of intermediate, advisory, coordinating organizations working on the basis of interest.

We hope that the problems connected with socialist import will also decrease as a result of the planned measures. In cooperation with the Ministry of Foreign Trade and the National Materials and Price Office, we are continuing to look for opportunities to replace imports and are helping the realization of such enterprise goals.

8984

CSO: 2500/160

MINISTER REVIEWS STATE OF INDUSTRY

Budapest NEPSZABADSAG in Hungarian 13 March 82 p 3

[Article based on presentation delivered to the Third Conference on Industrial Economics by Lajos Mehes, minister of industry: "How Far Along Is Hungarian Industry?"]

[Text] We need undistorted self-knowledge in order to evaluate our industry's situation and tasks. Sufficient coolness and historical perspective are necessary to be able to see well: In what condition did the world's economic crisis, which has lasted for almost 10 years now, find Hungarian industry? When and how did this industry respond to it, where did it perhaps err, what strengths does it represent now, and what assurances exist even today and what is needed in order to conform to the more severe requirements?

After 1957, our economic policy--having learned from the lessons of the earlier era--also redefined step by step the goals and means for industrial policy, but the effects of the old economic policy haunted us for a long time, and are haunting us even today.

In spite of all these things, or together with these, within the fourfold increase in the national income between 1950 and 1980, industry's production in the national income increased eightfold. Thus, industry's share of the national income increased from 30 to 50 percent. In 1938, exports of industrial products were 40 percent of total exports (without food) with a much smaller volume; in 1980 it is almost 80 percent, and within this the share of machinery and industrial consumer goods is 40 percent.

The structure of our exports to the capitalist countries has changed significantly during the last 20 years. The ratio of raw materials and of agricultural and food industrial items has decreased, and that of semifinished products and of machinery increased.

Without the very rapid and extensive expansion of production, industry could not have contributed to such an extent to accomplishing the goal of providing full employment to that part of the population which is able to work. We can see now that this also had disadvantageous effects on industry's growth. For a long time, industry increased a significant portion of its production by creating new jobs and putting new manpower to work, while at the same time

agriculture--often under duress--embarked sooner on the path of intensive growth by the increasing use of machinery and chemical products and through the utilization of the results of biological research, changing its production methods, accomplishing its tasks with fewer and fewer workers. Between 1950 and 1975--by which time we reached the highest peak of industrial employment--more than a million people transferred into industry, most of them from agriculture and, to a lesser extent, women from households. Due to the effect of this, the ratio of the urban population increased from 41 percent in 1949 to 54 percent in 1980.

Industry had to provide work for the 900,000 people who became available from agriculture. Because of this, the quantitative demands on health care and child-care institutions and in general on the urban infrastructure significantly increased, also increasing costs to enterprises. Two-thirds of the people employed in industry are first-generation workers. In part, this meant breaking away from the previous circumstances, and in part it represented the difficult learning years of becoming a worker for a multitude of people, but the efficiency of industrial production also suffered from it.

Was it necessary for industry to accept such a burden of full employment? People can argue about it. But it is a fact that politics demanded this of industry, even after socialist agriculture became a reality! That is, the decision was born in 1963-1965 to accelerate locating industry in the provinces. As a result, while in 1938, 53 percent of industrial production was concentrated in Budapest, now only 27 percent of it is located in the capital city and 73 percent in the provinces. This distribution of industry in the country was also indispensable in the interest of keeping the population of the villages. The industrial-side branch operations of the producer cooperatives also helped in this.

As far as methods of management are concerned, the producer cooperatives have been operating for a much longer time than industry, and much more on the basis of value relationships and on the basis of the principle of group and individual interests. The state has also been implementing the central will here for a much longer time, by means of price, credit and tax, that is, financial tools. But in industry, we worked until 1968 in the system of directions provided by the plan. In the 20 years since nationalization, the models of socialist industry and management which have developed so far have become quite deeply engraved in us--even though the awkwardnesses have caused increasing problems. The 1968 reform caught industry quite unprepared and, due to the lack of experience, even the reform's specific regulators contained some elements which generated mistrust. Thus actually a half-and-half situation developed in industry during the years after the reform was introduced, while at the same time the beneficial effect of a favorable economic environment continued and stabilized in agriculture.

The old directive system no longer functioned in industry, but the new one was not yet able to take its place with appropriate effectiveness. Due to this lag, value relationships, profitability, and interest in exports permeated but did not control industry. This is caused the development of that well known situation in which the good and profitable enterprises supported, and in some

cases even today support those with poor performances. Thus not enough means are available for the advantageous developments. Today most enterprises not only accept the idea of the reform but also endeavor to conform to the new, higher requirements. But there are still things to be done to completely eradicate the obsolete attitudes.

We have programs for many things to get done, but we have questions on a good many topics which have to be answered at the governmental level. One of the outstanding questions among them is: Which methods are better than the old ones to provide the incentives for more efficient work? There should be a breaking away from the basic approach, and the effect of financial incentive which stimulates work and which differentiates in the standards of living should be used more deliberately. The price system is another area which can be considered "open." Linking international market prices with domestic prices is theoretically a big step forward. But in practice we have not found that method for this by which competitiveness can really be measured.

The coexistence of various ownership conditions and sectors in agriculture provides useful experience; these become organizations which complement each other. They flexibly searched for the most suitable organizational formats and frameworks. For example, economic partnerships developed much earlier in agriculture and there are also more of them than in industry. Production increased rapidly in state enterprises and producer cooperatives, but also in small household plot operations. When we study these, we can get a picture of how modern and traditional production can coexist, how new manpower, such as family members and the retired, can be involved in production, and how the sense of ownership helps achieve greater economic results.

We have done much, but not enough, in recent years to strengthen the sense of ownership of people who work in industry. We must now accelerate this process. Therefore, on the basis of the party Politburo resolution, the government is working on expanding the tasks of the councils which direct the enterprises, on improving the work of the enterprise control committees and on modernizing the system of appointing and rotating cadres.

In the several approaches aimed at improving the work of the enterprises, I see the most significant tasks in cadre work and in providing better work incentives. Differences can be seen in the history of cadre work and even in its present methods between industry and agriculture. The main difference is in the way the leaders are selected. From the beginning, the direct will of the membership in choosing and replacing leaders prevailed more vigorously in producer cooperatives. In industry, the opinion of the representative organs and the central ideas are in control.

The question can justifiably be asked here: Could this have been different, especially in the beginning or after the counterrevolution? It must be recognized that the economic managerial posts, particularly the jobs of director general and director in the large factories are the political guard posts of the authority of the workers! There is nothing strange in this, these are the decisive bases of bourgeois power in the capitalist societies, too. Managing the producer cooperatives represents much less a question of power than that of the industrial enterprises.

During the years, conditions have thoroughly changed in industry, too. An intelligentsia faithful to the working class has grown up. The political requirements represent different things today than they did in the years either after 1948 or after 1956. The number of forces adequate for these and suitable for leadership is incomparably greater than perhaps 10, or even more so that 20-30 years ago.

And yet, the mechanism of selecting the cadres got stuck at the original condition. Changes must be made in this as well as in the prestige of personnel work, so that leaders really be selected from among those most suitable. It must be taken into consideration that how well someone is suitable for leadership and to accept responsibility is a criterion of political reality. If someone takes an enterprise into bankruptcy, no previously immaculate political life can serve him as a letter of protection.

The technological level, or in other words the study of the growth and condition of the productive forces from the viewpoint of production tools, technologies and the productive man, is an important method of approaching how well industry knows itself.

Hungarian industry's technological level used to be classified as a good average in the international field. Over all, this is not a bad evaluation, if we consider that before the war Hungary used to be considered an agricultural country. Since then, industry's fixed-asset inventory increased tenfold between 1950 and 1980 while productivity increased fourfold.

The conditions for industry's technological growth were not favorable in all respects during the 1950's. In the given world political situation, our industry's links with the world market were, in essence, broken off. Partly because of this, the mechanical quality of products deteriorated noticeably and the technological quality significantly during the course of extensive growth, particularly in the fastest growing areas. Since the late 1950's the major central programs, for example diesel promotion and public highway vehicle programs, significant also from the viewpoint of developing the economy's macro-structure, received emphasized roles in raising the technical standards of the national economy. The instrument industry grew rapidly in the framework of CEMA cooperation, and the production of computers was established. Acquisition of the results of international research begun. Relying on these, there was sharp growth in the industrial branches leading the technical growth, particularly in some branches of the chemical industry and of machinery manufacture. But the social effectiveness of the development programs was not satisfactory because of the shortcomings of their economic and technical foundations. Besides this, we continued to lag behind in developing the infrastructure, and we also did not succeed in significantly decreasing the shortcomings existing in our technical development.

In the late 1960's, the economic conditions were created for accelerating industry's technical growth by the introduction of the new economic management system. Increasing the independence of the enterprises, which allowed room for taking initiatives, and the increased involvement of interests in the

economic processes created favorable opportunities for modernizing the economy. The exports of our enterprises to capitalist countries also became significant in this era.

Our more active involvement in the world economy's distribution of work represented a great attractive force in modernizing industry's technical standards. The amount of equipment and technologies representing high or relatively high standards, purchased from the capitalist countries, increased sharply. But the ratio of these and the extent of their utilization, unfortunately, still fall short of the necessary.

The rapid economic growth in the 1970's made it possible to implement investments which greatly increased the technical standards of industry and of other branches of the national economy. Thus our technological backwardness significantly decreased during the last decade. This, of course, does not exclude the large differences which still exist between the industry's branches and between enterprises. Today the biggest drawback in production efficiency is that some elements with lower standards are being built into the technological chain which provides high productivity and exceptional quality. This lack of evenness can often be found even within the same plant. But in other cases a given plant is being held back by the lack of development in its industrial background.

Let's take just one area: the electronics industry as an example. While we are capable of producing modern equipment in several electronic, instrument and vacuum technology products, we lag at least a decade behind in microelectronics and in robot technology. The appearance of microprocessors has fundamentally changed design and production methods, products and services in electronics. Microelectronics is gradually becoming an indispensable element of practically every product, fundamentally influencing the growth of all branches of the economy. We consider the approval of the central development program of the production of electronic components to be a great achievement. Implementation of this program can help us make faster progress than before in improving the conditions and basis of electronification.

What goal can industry, the most dynamic branch of material production, make for itself as a realistic goal with respect to technical standards? Naturally, not that it be the leader in everything in international comparison. But it can make it a goal to produce a certain number of world-class products in significant quantities, and not to fall significantly behind in the gulf of international progress in its other products, either. And, of course, to achieve all this through economical production, because everything can be made expensively, but it just is not worth it. Thus, technical modernization must be interpreted in the mirror of the market's value judgments. For this, good products are needed, in modern and pleasing execution, and an appropriate customer service as support, with well-founded marketing work; that is, all these things are needed together.

MEANS OF SOLVING FOREIGN DEBT PROBLEM ADVOCATED

Warsaw RZECZPOSPOLITA in Polish No 52, 15 Mar 82 p 2

[Article by Michal Dobroczyński: "Indebtedness and the Chances of Extricating Ourselves From the Crisis"]

[Text] With the advent of the 1970s, Polish national economy faced entirely new problems in its relations with the world outside. Since 1972, our country's balance of payments has been unfavorable, and in the middle of the past decade (i.e., in 1975) the volume of imports was almost twice as large as that of exports.

In the years 1972-1980 the total of imports was approximately 16 billion dollars larger than that of exports. The distributed national income actually exceeded the generated income, which meant subsidizing capital accumulation from outside of Poland. Our society, however, in general did not realize this--mostly because the then leadership of our country had vested interests in claiming credit for the growth rate increase of our economy.

The present indebtedness of our country already amounts to approximately 25.5 billion dollars and 3.3 billion rubles--the credits negotiated during the past decade have been augmented by some new ones and, above all, by the enormous (and continually increasing at a rapid rate) total of accumulating interest. The servicing of these debts considerably exceeds the capabilities of our national economy--in 1980, the installments on the principal and interest had already reached a level which was higher than the total income from Polish exports, and at least 6 years ago we broke the barrier of a relatively safe ratio between the volume of domestic exports and the size of debt repayments falling due in a given period.

Lack of payments equilibrium is not exclusively a Polish problem. Toward the end of 1981, the indebtedness of the developing countries was 524 billion dollars, while that of the socialist countries totaled approximately 80 billion dollars. In some countries, the level of foreign debts per capita is higher than in Poland. However, for many years now the world has not witnessed such a drastic unbalancing of the ratio between the size of indebtedness and the capabilities of national economy as, precisely, in the case of our country.

Much is already known about the causes of the Polish crisis. A peculiar combination of political, social, and economic circumstances led in Poland to

breakdowns involving almost all the areas of Polish life. The policy in the area of foreign credits proved to be one of the conditioning factors which determined the extent of the economic disaster. However, one should not assign an autonomous role to this policy; it was simply an instrument which was utilized in an extreme manner for aims which often contradicted the regularities of economic life.

Both on account of the international political situation, and because of the dominant social and political doctrine, the utilization of credit instruments [in Poland] in the 1960s was very moderate. The principle of payments equilibrium and a concentrated effort to promptly repay contracted debts prevailed over a policy of credit risk which could indeed bring additional profits but which could also result in unexpected losses.

A desire to gain social affirmation and to strengthen and, in the subsequent years, to retain, authority, resulted in a number of separate measures which were inconsistent with each other. Both the political aims of some Western circles, and the recessionary economic situation--in which the investment of free capital in countries enjoying good credit reputation was not yet clouded by later experiences--facilitated negotiation of credit on relatively favorable terms.

Here one should emphasize that broad utilization of foreign financial resources and of the related modern technology transfer and other elements of economic development is not an exceptional occurrence in the most modern history of economics. Quite the opposite--the majority of highly developed national economies owe much to the skillful inclusion of outside funds in their [economic] processes. And so, failures in this area are due not to the very credit instruments or other channels of international transfer of financial resources but to a chaotic, casual, and arbitrary utilization of new instruments of economic policy by inexperienced decision-making centers.

The 1970s witnessed precisely this course of events in Poland. Under the influence of parochial pressures, foreign credits were utilized, so to speak, in a parallel manner, without proper coordination, in many mutually separated sectors of economic life. This created enclaves of modernity which did not have co-production support among domestic partners. Contrary to the expectations and simplified calculations of the decision-makers, this brought about a rapid increase in import needs.

Expenditures for the purchase of licenses, just to give an example, were followed by a succession of import consequences, even in the area of such relatively simple items as metallurgical products, uncomplicated chemical products, etc. The increase in investments, stimulated by credits, also had a considerable impact on our country's import demand in the area of food. In this situation there had to be an increase in the discrepancy between the import intensiveness and the capacity for equalizing imports with exports.

The credit policy, detached from the basic model changes, meant simply that a rather inefficient economic organism received ever-increasing injections which, however, stimulated only some of its organs and only for a short time, instead

of stimulating the entire mechanism of national economy for a longer time. This resulted in further disproportions from which we tried to extricate ourselves, first, through partial import-substitute measures, and second, through negotiating additional foreign loans. In the latter area, however, the situation continued to worsen. Credit in the world [financial] market was becoming more expensive; moreover, foreign creditors were increasingly concerned about Poland's solvency. The international business outlook was becoming less favorable. The world economic development of the second half of the 1970s occurred at a much slower rate than that of the preceding ten to twenty years; therefore, additional difficulties were bound to occur in the process of the export expansion of the Polish industry.

As for the domestic situation, next to prevailing political and economic conservative, the increasing inability to meet credit obligations was affected to an ever greater extent by the impossibility of rapid and efficient management of external financial resources (by investment cycles which were unduly prolonged and considerably more costly than those which had been planned) and also by the decidedly insufficient export adaptation of expanding industry. Moreover, poor coordination of credit measures caused an accumulation of credit obligations in relatively short time periods.

The social and economic situation which we have inherited from the 1970s, without the benefit of inventory, requires prolonged remedial actions--all the more so that the attitude of some Western political centers toward the problem of solving Poland's crisis is characterized at best by ambivalence if not by a desire to bring about a worsening of the situation. However, even without mentioning this issue, the chances of a definite improvement and of Poland's extricating itself from the credit trap must be related to:

- consistent implementation of the initiated economic reform which constitutes the indispensable condition for considerably more efficient management than has been the case up to now;
- limitation of the volume of all these export items (food, raw materials, technical components) which can be replaced by profitable domestic production;
- decidedly more effective adaptation of Polish production to the needs of foreign markets;
- skillful utilization of possible additional foreign credits for the activation of frozen production potentials;
- utilization of the hitherto unexplored possibilities of importing foreign technology, financial resources, and managerial skills which are related to the operation of assorted-capital enterprises.

The chances of extricating ourselves from the crisis are considerable; they require, however, incomparably greater than hitherto consistency, persistence, and economic judgment.

9577

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NEGATIVE PRODUCTION FIGURES FOR FEBRUARY PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 8, 14 Mar 82 p 2

[Article by Ch. M.]

[Text] Extraordinary circumstances had an effect on the economy in February. These circumstances certainly include the rate of food price increases introduced 1 February 1982. However, it is not only the change in food prices, but likewise the change in the price of nonfood articles that has significantly affected the money-market situation.

Surely we shall have to return to this topic more than once. The deflationary effect of price increases, however, was limited in February, due to decreased production and deliveries for market supply. The less such production and deliveries, the weaker the effect of price increases on market equilibrium.

A primary cause of low February production was, above all, the supply and coproduction situation, intensified by restrictions on Polish foreign trade by the majority of capitalist countries. Coproduction links between plants, branches and some subsectors of industry and the national economy were disrupted. In conjunction with this, many enterprises have endeavored to change the production structure, adapting it to supply conditions. This has likewise caused some temporary disruption.

According to preliminary data, industrial production in February was approximately 12 to 14 percent lower than in February 1981. In January, it was 13.6 percent lower than in January 1981. Thus, the worsening of the production decline did not occur. Of course, this is no reason for satisfaction. In February 1981, production was likewise several percentage points lower than in February 1980. Consequently, the decline in production in comparison with 1980 figures amounts to approximately 20 percent.

The February decline in production for construction-assembly enterprises was still sharper than that of industrial production. It is estimated at 22 percent. In January, construction-assembly production declined by approximately 20 percent in comparison with January 1981 figures.

If we observe production of the more important products in socialized industry, we note that the difference in the level of production of particular products

for January is maintained, and even increased. Thus, the favorable situation in coal production is maintained, which is certainly a unique phenomenon within the bleak picture of economic reality. Coal production in February exceeded 15 million tons. In February 1981, it amounted to 13.3 million tons. In no month of 1981 did coal production exceed even the level of 14.7 million tons (March 1981). This means that the favorable situation in coal mining begun in January 1982 continues. The combined output for the first 2 months is 30.4 million tons, an increase of 14.4 percent over the output for the same period last year. Nor was brown coal output poor (3.3 million tons versus 3.2 million tons in February 1981).

Electrical power production in February 1982 approached that of February 1981. It amounted to 10.2 billion kilowatt-hours and reached 99.8 percent of the production level of last February. Unfortunately, this also means that electrical power consumption is too high, since the decline in industrial production was relatively great and should have been accompanied by greater savings in power consumption.

Here are the figures for the level of production decline for some products: Passenger cars declined by 55.3 percent; trucks and highway tractors declined by 31.9 percent; radio receivers dropped by 27 percent; televisions, by 33.4 percent; plastics declined by 20.7 percent and, in this category, rubber fell by 31 percent; chemical fibers declined by 35 percent. The production of railroad cars declined by 29.5 percent, but railroad passenger car production increased by 31.6 percent. The production of electric washing machines and dryers declined by 17.1 percent, and the production of household refrigerators and freezers dropped by 59.1 percent.

Cement production fell relatively slightly,--by 3.1 percent. Cigarette production dropped by 2.2 percent; the combined drop for the first 2 months of this year is 2.5 percent. Sulfuric acid production declined by only 0.4 percent. Crude oil refining dropped by 26 percent (19.5 percent for the first 2 months of 1982). On the other hand, meat and fat production from commercial slaughter showed a slight gain (of 4.2 percent over last February; unfortunately, this still represents a decline of 5.2 percent during the first 2 months of 1982).

Butter production also increased by 13.6 percent. The decline in farm tractor production (5.6 percent) was relatively insignificant, while production of other farm machinery, equipment and implements increased significantly. However, this is still not the total picture of changes in the production structure; we will be able to report the complete, verified data at a later date.

This preliminary survey shows us that deliveries of agricultural-food raw materials for industry were relatively good in February. Slaughter livestock procurement converted to meat was greater this February than last February by 3.7 percent, and amounted to 164,800 (?) tons versus 138,400 tons versus 120,400 tons a year ago, for an increase of 11.7 percent. Milk procurement amounted to 369 million liters, for an increase of more than 10 million liters (2.9 percent) over February 1981 figures.

On the other hand, cattle procurement declined by 2.3 percent. Poultry procurement declined considerably; by comparison with February 1981, it fell by 20.9 percent. Egg procurement was 13.5 percent lower than in February 1981, but the figures for January 1982 were 22.2 percent lower than in January 1981.

In characterizing changes in procurement, we must stress that relatively large deliveries of slaughter livestock have been maintained thanks to private farming. In socialized farming in February, as in January, procurement deliveries were approximately 30 to 40 percent lower compared to last year's deliveries.

Insufficient grain procurement in the face of diminishing reserves in the grain-mill industry is a serious problem with broad social ramifications. In February, private and socialized farms supplied nearly 157,000 tons of consumer grain to procurement points, or 36,000 tons more than in January 1982, 103,000 tons more than in December 1981 and 132,000 tons more than in November 1981. Given the major lag in grain procurement in the fourth quarter of 1981 and the drastic limitation of imports, the problem of the continued increase of grain procurement becomes a matter of special importance. The grain-mill industry processes approximately 18,000 tons of grain daily for consumer needs.

Now a few words about prices in trade between farmers and in trends in animal husbandry observed in February. Free-market grain prices reached a level of 2,900 to 3,400 zlotys per quintal. The prices of rye increased by 12.8 percent; barley, 14.7 percent; potatoes, 17.3 percent. This signifies a reduction in the profitability of animal husbandry, particularly the raising of slaughter hogs. In February 1982, the price of 1 kilogram of slaughter pork was equivalent to a 10.7-kilogram unit of fodder, or 0.3 kilograms less than in January 1982. The decline of piglet prices, given their low price (they bring 3,218 zlotys apiece), is likewise an important indicator. In February 1982, the number of bred gilts at breeding points also increased slightly in comparison with January 1982 (a decline from 108.6 percent to 106.3 percent). On the other hand, the price of cows continued to rise (by 6.2 percent), as did the price of heifers (by 8.7 percent), over last January. The price of cows reached a record level of 55,300 zlotys, and the average price of heifers reached 28,100 zlotys, for a 2.4-fold increase over last year.

The changes in foreign trade lead to different conclusions. Last month we wrote that imports in the currency of capitalist countries declined in January approximately 42 percent compared to January 1981. However, the combined data for January and February are representative here. The data for January may contain certain inaccuracies associated with establishing particular transactions at the end of December/beginning of January, the end of January/beginning of February and the like. Hence, in the first 2 months of 1982, imports in the currency of capitalist countries attained a value of scarcely 34.5 billion zlotys in current prices. We are not using foreign-exchange zlotys here. The zlotys in which these imports are calculated may be converted into dollars according to the table of exchange rates No 10/82 announced in TRYBUNA LUDU on 8 March 1982. According to the table, \$1

corresponds in value to 82.39 zlotys. Thus, the value of imports for the first 2 months of 1982 in the currency of capitalist countries was less than last year's imports by 46.4 percent. This is calculated in current prices; in fixed prices the reduction in imports exceeded 50 percent.

Imports in the currency of socialist countries (combined for January and February) amounted to 54 billion zlotys and were 9.4 percent lower (calculated in current prices) than last year (68 zlotys = 1 transferable ruble).

Investment imports suffered the greatest decline in the structure of total imports. On the other hand, in imports in the currency of capitalist countries, the decline in supply imports was most severe.

Exports (likewise combined for January and February) in the currency of capitalist countries amounted to 44 billion zlotys. Thus, they exceeded imports from these countries by 9.5 billion zlotys. Exports in the currency of socialist countries reached a level of 42.1 billion zlotys and were lower than imports in these currencies by 11.9 billion zlotys.

8536

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FUTURE DEMOGRAPHIC SITUATION ANALYZED

Warsaw RZECZPOSPOLITA in Polish No 46, 8 Mar 82 p 2

[Article by Tadeusz Podwysocki: "A Look into the Future"]

[Text] In observing Poland's population processes, one cannot ignore the rather characteristic phenomenon called the demographic wave. Our nation has had demographic explosions and recessions coming one after another: first our number increases by a great deal, and then a decline in fertility occurs again. The latest, investigative demographic prognosis for Poland for the years 1980-2010 made by the chief Consensus Bureau (GUS) indicates that the population explosions and recessions so very typical for our country will occur in the future also. The first half of the 1980s will show about a 4 percent increase in population, or somewhere over 1.9 million people will have to be added to the birthrate balance. What will this mean for the state, society, the economy, construction, education, and other spheres?

It will mean first of all the necessity of taking into consideration in social, economic, and world-wide politics as well the phenomena of the above mentioned demographic wave, those considerable population increases, the changes in the structure of age and the very dynamics of population development. It is necessary to realize that after a demographic explosion a decline in the rate of population increase will follow and will amount to about 1.7 to 0.9 percent in the years 2005-2010. As early as 1987 16.6 births per 1000 people are foreseen, whereas in 1982 this coefficient is designated at 18.6. In other words, this year the nation's birth-rate per 1000 inhabitants amounts to 9.1 people, while in 1987 it will fall, according to the latest predictions, to 6.9.

Poland's demographic prognosis permits making certain statements of a more general nature. We are and will continue to be a young society. That is a tremendous asset--economically as well as socially. Although in the next 30 years the portion of the working age population will begin to increase (from 4.227 million in 1980 to about 5.9 million in the year 2010), on the demographic map of the continent we will continue to be one of the youngest societies.

Increase of Manpower Resources

Without doubt the constant growth of manpower resources has been one of the extremely positive features of the whole post-war period. The investigative prognosis of GUS assumes that this tendency will continue to remain in effect for the whole 30-year period. This is essential for economic planning and forecasting. It is assumed that the working age population will increase from 21.211 million persons in 1980 to 24.835--25.587 million persons in the year 2010. That would mean an increase in human potential of 17.1--20.6 per cent. Such an injection in manpower must inevitably bring with it the necessity of capital expenditures to create new jobs. Obviously, one can reflect on the structure of the investment processes, but one cannot forget that once more the necessity will arise to increase the size of investments. It would be good if services, housing construction and the whole base of the nation's technical infrastructure were to coincide with this trend.

The basic question is "When will the growth in working age population come?" About 600,000 people will join the labor force in the first half of the 1980s, while in the years 1986-1990 the number will be still smaller, for that increase in manpower will not exceed 300,000 people. Or, the situation will undergo a rapid and radical change only in the first half of the 1990s. The generation from a demographic explosion will enter the labor force, and the increase of working age population is estimated at about 700,000 persons; in the last five years of the twentieth century it will be necessary to provide work furthermore for close to a million people. The decline in increase in working age population will be checked only after the year 2005, when it will reach a limit of 400,000 persons.

City--Countryside

Undoubtedly, the one great, unknown quantity is the migrational processes from the countryside to the cities. The demographic forecasts take into consideration only part of the phenomena. The work of the Department of Demographic and Social Research of GUS demonstrated that the urban population growth is dependent to an important degree on migrational movements. If one assumes a complete check to the migrational influx from the countryside, there is an indication that in the extreme case of a decline in the level of fertility, a decrease in urban population can occur.

However, will the population movement from the countryside to the cities be checked for certain? It is difficult to precisely foresee such a phenomenon within a period of even 10 years. After all, many social, economic or even political factors can effect population movement--stimulate or restrain it.

At any rate, the demographic prognosis of GUS assumes a systematic decline in the growth of the urban population. The authors of this document foresee that as the migration from rural areas is checked, the age of the urban population will begin to rise much more rapidly than today. Then the phenomenon of the rejuvenation of rural society would occur. It is a known fact that the young people's flight to the cities which has existed up to now continually raises the age of the rural population.

These are phenomena of great significance for the spatial management of the nation and for social and economic politics. It is necessary to be aware of the fact that as a result of a stem in migration from the countryside to the cities, the birth-rate in our cities will decrease from 9.2 persons per 1000 people in 1980 to 5.3 in 1990 and to 5.1 in the year 2000. The experts say that in the final years of the projected period such a situation in the urban-rural population movement can even lead to a decline in the condition of the urban population.

Social Effects

One must add here, however, that this in no way means a restraint in the process of the urbanization of the nation. From the research of the PAN (Polish Academy of Sciences) Committee "Poland 2000," it is evident that still in this century urbanization processes should significantly decrease the distance between city and countryside in civilization, culture, and technology, and even the severe economic crisis cannot restrain that process. Consequently, the GUS demographic prognosis foresees that the portion of urban population in the general number of the nation's inhabitants will grow from 58.7 percent in 1980 to 71.2-77.8 percent in the year 2010. That would mean that only every fourth Pole will be living in the countryside--obviously, at the end of the prognosticated period.

Population phenomena in the city and countryside, these demographic waves, create a rather intense social and economic situation. It is foreseen that the pre-working age population in the cities will grow from 26.9 percent in 1980 to 27.9 and even 29.1 percent in 1990, and in the countryside in the same period there will be a decline from 31.5 to 31.4 percent. The point of this is that there will be a considerable increase in the number of pre-school and school aged children in the cities. The demographers are in agreement on this matter. Here is a fact of fundamental significance: the number of children of nursery age in the cities may increase from 1.4 million in 1980 to 1.7-1.9 million in the year 2010. But in the rural areas during that time a decline from 1 million to 786,000 is to occur. That will bring with it the necessity of additional expenditures of money in various spheres of urban life and an increase in economic liabilities for the entire nation.

9541

CSO: 2600/440

GOVERNMENT MINISTER FOR ECONOMIC REFORM INTERVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 2, 31 Jan 82 pp 1, 4

[Interview with Prof. Wladyslaw Baka, government minister for economic reform, by Karol Szwarc: "The Start of Reform"; date and place not given]

[Text] [Question] What changes in the principles of the functioning of enterprises in the current year were introduced by martial law?

[Answer] In order to answer this question, one must recall first that on 10 November last year the Council of Ministers voted a resolution on the principles of the functioning of state enterprises in 1982. This resolution must be treated as a basic act, which begins a huge process of restructuring our economic system.

Immediately after 13 December, we began to ask ourselves if this resolution could be implemented at all under the new conditions, or if changes were necessary, resulting from the revaluation of methods and aims in compliance with economics under martial law.

After a thorough examination of these matters, we concluded that there is no need to change those principles significantly.

First of all, the aims have not changed. The overall aims remain: overcoming the crisis, beginning the stabilization processes, ensuring that society has the basic means of existence, beginning to improve effectiveness.

More detailed aims were expressed in the operative programs, which were already written in November. Deeper reflection has led us to the conviction that those detailed aims should only be supplemented--which probably would have happened even without the introduction of the martial law--with programs such as production and supply of work and protective clothing, or production and supply of meat and fats. In a word, we are concerned with satisfying the most basic living conditions of society.

[Question] But did not the very methods have to be revalued?

[Answer] Martial law, first of all, militarizes some branches of the economy, introduces strict discipline in execution and significantly strengthens the one-man leadership. Those conditions had to be considered, therefore, when the operational mechanism was designed. The rules of martial law, however paradoxically it may sound, did not fundamentally alter the idea of the autonomy of enterprises, as far as their ties with the outside world is concerned. They did influence, though--and this is a major deviation from the earlier intentions--the suspension of self-governing activities, which prevents them from the participation in the first phase of the implementation of the reform. This autonomy will materialize through the administrative factor, represented by the director.

[Question] One can often encounter an opinion that the suspension of self-government gives the reform a typical managerial flavor.

[Answer] The first proclamation of the Military Council of National Salvation forcefully stressed that workers' self-government is the foundation of the economic reform.

We have considered a proposition that self-government should work only in the consultative capacity....

[Question] ...and controlling capacity.

[Answer] Yes, it is a consultative and controlling capacity, but without a decisive voice, since martial law elevates the principle of one-man management to the role of a superior rule.

We have acknowledged that limiting the role of self-government would be incorrect; it would too vividly recall the return to the model of the KSR.

[Question] So it is a fear of figurehead solutions.

[Answer] Yes, it is true. We also did not want to make decisions in this respect without the participation of the self-government activists and of the work forces. The December resolution on the economy under martial law, therefore, permits the reactivation of various functions of self-government in particular areas, after consultations with the work forces.

However, we want the very introduction of the reform to have the broadest possible popular backing. For this reason we think that outstanding workers, technicians, economists, production managers, etc., should be invited to the activities of the enterprises' commissions on reform.

Thanks to this, a climate for the integration of the work force with the reform could be created, and, by the same token, the rebuilding or creating--because it fared differently in various enterprises--of the workers' self-government in a later period would be easier.

[Question] Were any essential changes made in the economic and financial system?

[Answer] The way the enterprises' profit is made and divided, the principles of taxation, the system of incentives, the right to set the volume and structure of employment freely, etc.,--all these were retained in the form established in November last year.

As far as the allotment of the foreign exchange funds to the enterprise is concerned, however, a change took place. The same principle is in force, but the criteria were made more strict. Previously we assumed that the allowance norm would be established on the basis of the proportion between the coproduction-supply import and the volume of export. Now the foreign exchange fund allowance will be figured on the basis of the proportion between the value of deliveries from the coproduction-supply import to the export production and the value of export. Put differently, this allowance is smaller when the import is used for domestic needs. These stricter rules result simply from our difficult foreign exchange situation.

The way the plans are designed in the enterprises, however, remains unchanged, in spite of the fact that the scope of the operational programs has been broadened. The operational programs plenipotentiaries were empowered to assign a specific task to a given enterprise in cases when this would be considered necessary. But, taking into account the fact that operational programs open the gates to the supply, those powers do not have to be utilized, because the enterprises--and this is understandable in the deficit situation--want to participate in implementing the operational programs, because the chief regulator of this economic activity became the material-technical supply system. Participation in the operational programs means securing the first place in the supplies queue.

[Question] Let's make it clear: Does or does not the participation in the operational programs, fulfilling the tasks involved, have an obligatory nature?

[Answer] One cannot view this in such a way, since production capacities in the decisive majority of cases exceed the possibility of supplying them with raw materials. Thus, if an enterprise wants to avail itself of the supply deliveries provided by the operational programs, it can do so by submitting its offer and by signing an agreement to supply certain kinds of products. The problem of selecting from the number of those willing to participate in the operational programs remains, not the problem of ordering participation in implementing these programs.

[Question] And what would happen if some producer of the final product or some coproducer refuses to participate in a given program?

[Answer] In such a case the plenipotentiary is empowered to enforce the fulfillment of a particular task, at the same time ensuring the enterprises certain economic conditions.

[Question] It means, to put it differently, the elements of compulsion may exist.

[Answer] Yes, indeed it does. This is a novel element, which has been introduced by martial law.

[Question] What will be the procedure regarding those enterprises threatened with suspension or lasting restriction of their production because of the supply deficit?

[Answer] The resolution on the economy under law provides for a duty to review such enterprises by the end of this month. This deadline will probably be extended, since an operation of suspension or lasting restriction or production is a painful one and socially disquieting. Because it touches upon human problems, it is tied up with requalification and relocation of employees. It is, though, a necessary operation because in such a way one can implement among the other things, the indispensable for the economy conversion of the resources.

As far as the operational system is concerned, the principles of financing must be adjusted to those particular conditions. Introducing the principles of complete self-financing in those enterprises wouldn't be a viable approach.

[Question] Are the obligatory or voluntary associations already being formed?

[Answer] Setting up associations has been suspended. We took a consistent stand that an agreement creating such an association--as stipulated previously--should have the signatures of both the director and the self-government body. Because the activity of the self-government bodies has been suspended, we have decided that it would not be proper to create lasting structures without their participation.

[Question] But the process of liquidating the associations has not been reversed.

[Answer] Those decisions--not counting the militarized areas--are being enforced. But in order to fill the gap created after the liquidation of the associations, a transition formula has been proposed exclusively during martial law. An institution of plenipotentaries responsible for the matters of the selected branch or production units has been set up.

[Question] We already hear accusations from the enterprises--which are somewhat justified by the habits of part of the cadre taking over those functions, and who have been until now employed by the associations--that an attempt is thus made to let the old structures in through the rear door.

[Answer] I would like to assure you most firmly that there are no such intentions. The institutions of plenipotentaries for the branch or production units should not be treated either as intermediary management links--as surrogate associations--or as permanent structures. Their aim is to anticipate functions and ties that will be fulfilled by the obligatory or voluntary unions.

In order to forestall any deviations from these principles by these plenipotentiaries, we will subject their activity to strict control.

[Question] Won't the functions of these plenipotentiaries collide with the functions of the operational programs plenipotentiaries?

[Answer] The branch plenipotentiaries offices may in certain situations assume the role of the operational programs plenipotentiaries.

[Question] Are there any changes on the central level envisioned?

[Answer] The reorganization of the central level has not stopped. We anticipate that in 2 or 3 weeks the Council of Ministers will reach--in accordance with the wishes of the writers' and artists' circles and the Commission on the Economic Reform--a decision to create the Ministry of Administration and Territorial Management, which will be in charge of the integrated complex of matters of urban development, architecture and building industry supervision, as well as of regional planning, geodesy and cartography. A decision will be made also on creating the Ministry of Geology, Water Management and Environment.

[Question] What changes are planned in the territorial systems?

[Answer] A substantial extension of the economic powers of the regional authorities is foreseen. Which represents an integral part of the reform. By the end of February all the decisions should be made as to which prerogatives of the ministries of building, agriculture, commerce, local economy will be transferred to the voivodeship level, or to lower levels. The aim is to attain a real unity between the place where the decisions are made and the conditions of the optimal implementation of these decisions.

This involves many conflicting problems. Transferring these prerogatives will substantially alter the geography of decisions. The weight of the responsibility for direct decisions of the central level would diminish in many areas; e.g., in the matters of general and agricultural building, agricultural production, trade, etc. The responsibility of the local authorities for the solution of the problems of their own region, however, would increase decisively. The most important point of all these changes is that widening the prerogatives should be followed by an increased access to the resources.

[Question] In many factories--but not only there--one hears an opinion that many constructive elements of this year's principles guiding the activity of enterprises are overdue.

[Answer] Diverse factors are responsible for this situation. Following the Council of Ministers resolution on the principles of the activity of enterprises, over 20 ministerial orders regulating various detailed problems should reach the enterprises.

These delays result primarily because the work on adjusting the principles of the economy to martial law was conducted till the end of December. After

this phase has been completed, the work on executive orders has started immediately. At this time all these orders are almost ready.

There was, however, a problem of the communication of information. We will overcome these difficulties, and these normative acts should reach the enterprises through the ministerial channels by the end of this month. We are forwarding these materials to the enterprises-consultants and voivodeship reform units. We are involving in this work such organizations as PTE, TNOiK and the Accountants' Association. Finally, we have an agreement with the editorial board of RZECZPOSPOLITA, which will systematically present these acts. We have considerable hope for the reactivation--if one can say so--of the ZYCIE GOSPODARCZE, which most probably will not only present the new principles but, first of all, will explain and comment on them. Starting in March, we intend to resume the TV instruction program.

[Question] Right now, though, there is a considerable confusion in the enterprises as far as the beginning of reform is considered.

[Answer] The biggest problem was the price lists of supply goods. They simply have not reached everybody on time. At the same time, starting last July, when the supply prices were decided, many conversion factors were changed. Some of them do not apply any more, and the enterprises must have a really good knowledge of all this.

[Question] Here in Warsaw I hear that, regardless of the delays, knowledge and the behavior in some enterprises indicate that the reform was not intended to be implemented at all. Isn't this an unjust opinion?

[Answer] Obviously, as could have been foreseen, the behavior of particular enterprises differs. There are active enterprises and passive ones. The active ones take advantage of all the channels and contracts in order to be up-to-date in the reform. In the passive one neither diagnosis nor training was conducted. And the largest number of misunderstandings takes place there. They also face the most difficult task of overcoming this information gap.

[Question] It is puzzling and shocking how the enterprises use their powers to set independent prices for a great number of articles, including market items.

[Answer] Unfortunately, a considerable number of enterprises can be accused of this. An easy way of stuffing their purses has blinded them. This reaction could have been foreseen. For this reason we have conducted preventive action in order to restrain enterprises from taking such socially shocking action.

We have anticipated 70 to 90 percent price increases of industrial articles, which was justified primarily by the changes of the producer prices. But the proposed 300 to 400 percent price increases do not have any relation to this change. The calculations do not reflect the decrease of the cost of materials or of labor-intensiveness. At the same time they assume increased losses from

deficient production. The prices include all kinds of "insurance" against idle production capacity; i.e., the general costs are hiked beyond any reasonable justification. The domestic trade is also at fault; it did not make any decisions on high-profit margins on time.

As producers they all want to make money on this, but at the same time, as consumers, they are all taking part in a violent--and understandable--protest choir.

[Question] How can one counter such negative tendencies?

[Answer] Some individuals are saying that a general return to the official prices is necessary. One can give the following answer to this: It is possible, but there will be simply no goods in the stores.

The second, extreme opinion favors not touching anything, letting the crisis loose its steam, letting the enterprises run on the principle of a free market and things will somehow be reined in.

There is a third way. It is necessary to introduce such a mechanism, agreeing with the principles of the reform, that would spur the enterprises to rational management. I can see two basic elements of this mechanism. A category of standard goods should be introduced. It would be a small series of several articles, the prices of which would be strictly controlled but calculated according to the principles of profitability.

At the same time, principles of cost accounting should be found to prevent paying for the cost of wastefulness. We are familiar with the method of justified costs, separated from those unjustified. The finance minister is responsible for preparing a proper directive on this matter. Inclusion of the unjustified costs in the prices would result--according to this proposal--in a decrease of an enterprise's profits.

[Question] Aren't you afraid, Mr. Minister, that the issue of prices may trigger a reaction of retreating from the principles from the reform?

[Answer] I am troubled by such fears. It is really a turning point of the beginning of the reform. The most important problem is to stay on course, conforming with the principles of the reform, which requires pacification of those dangers originating in the price-setting attitude of the enterprises. How is this done. In the domain of human conscience it is still necessary to warn against the illusion of easy solutions. If we reinstitute general and central price-setting, if we reinstitute general assigning of targets, if we reinstitute general allotment of resources, the result will be a return to the directive-distribution system, which after all resulted in a crisis.

At the moment, the point is that the corrections that will be introduced--and this must be done because the system is not perfect--must strengthen the general trend instead of turning back the history's clock. Otherwise demagogic voices would be heard about the unreformability of our economic system.

In fact, this system can and should be reformed; it is possible to eliminate gradually faults and errors. To do this, though, a system of early warning is

indispensable. And the corrections must be promptly and efficiently implemented. Finally, the society's and producers' understanding must grow as to which moves serve the reform and which ones solve the problems only superficially.

[Question] A final question is: How is the work in Sejm on the ultimate solutions progressing?

[Answer] As known, at the beginning of December last year draft laws were sent to the Sejm that--next to the self-government and enterprise laws--define the ultimate shape of the reform.

After 13 December there was some question whether the government would support or retreat from some drafts. This matter cleared up 22 December. At the meeting of three Sejm commissions I had the honor on the government's behalf to support these draft laws fully.

Such a government stand unequivocally indicates that the will to reform is not only a question of words or declarations but finds its expression in concrete initiatives. It makes it clear that the version of reform discussed over and over by the general public, voted for by the Ninth Congress, and approved by the Sejm in September last year will be implemented, naturally together with all the additions and expansions provided by actual application.

In submitting these draft laws to the Sejm--which probably is not noticeable by everybody--the government assumes a kind of self-restricted position as far as the possibility of creating the working mechanism is concerned. By the same token, it creates institutional dams against a return to the old ways. I hope these dams prove effective.

9644

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CRITICAL COMMENTARY ON ECONOMIC SHORTCOMINGS PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 17 Feb 82 p 3

[Article by Czeslaw Bobrowski: "Act of Courage"]

[Text] I would not have written this article, if it had not been for an unfortunate accident (slippery outdoor conditions), which interrupted my present functions for two weeks. This allowed me to take a look, from a distance, at the most important issue of the present moment. These are the same issues which I have already touched upon numerous times and whose subject matter is constantly and widely discussed: systems-type reform, prices, inflation and employment. It is only natural that in the course of the current discussions, attention is called to shortcomings of the adopted solutions and that critical elements are emphasized. This is all the more understandable, that everyone and especially this writer, has been fed up for a long time with praising that which is taking place. However, along with this understandable and necessary attitude, the image of /comprehensive operations in progress and their downright extraordinary significance/ becomes blurred.

Let us begin with the matter of prices. This represents the oldest error made in the economic policy of PRL [Polish People's Republic]. It dates back to 1945 and had been made in Lublin. Incidentally, I did not become fully aware of its meaning until 1947--something that I consider to be my biggest error of judgment during the entire postwar period. The labor group, which was entrusted with creating a new price system (I do not know its [labor group] entire make-up since at that time, I had not yet returned to the country), adopted price lists from 1937 as a base and applied widespread factors to them--ranging from 1 to 6. It is not clearly evident what guidelines were used in determining these factors. I only know roughly, that low factors were adopted for goods whose production was monopolized before the war as well as for compulsory deliveries of agricultural products. This gave rise to rather strange proportions but what was of even more importance was that the average of these factors did not remain in any relation to the proportions of

the purchasing power and its relationship to the level of production. Most likely, the appearance of inflation--which is, after all, unavoidable--was not counted on while perhaps what was counted on were the far-reaching effects of the unfavorable exchange rate of German marks and not counting on the fact that financing of the budget will have to be based on the printing of bank notes for a long period to come.

The result of this state of affairs was a phenomenon, which may be described as a system or rather the lack of a system in which everyone made additional payments on behalf of everyone else. Procurement prices were low, therefore, peasants "made up for" these prices by selling on the free market--urban consumers and laborers additionally financed agriculture. However, their meager wages were not sufficient to make ends meet, in which case, they--but not all--were helped by allowances of packages from UNRWA sold on the free market. Despite low wages, a huge part of the industry operated on a deficit compensated either by consuming supplies inherited from the Germans or by securing bank credits. The State additionally financed industry and in time--in the face of the inability to back up ration-cards with procurement and supplies from UNRWA--a provisions fund was formed which covered the differences between procurement costs on the free market and income from ration-card sales at prices several times lower.

Naturally, this chaos was placed in order gradually and very slowly because, among other things, very few state-owned enterprises demanded price revisions, considering the further incurrment of debts as an easier road to follow (the exception being, for example, PKP [Polish State Railroads], which doubled their fares in a short period of time and shortly after that carried out a subsequent fare hike which was already six times higher as compared to the original level). In 1947, the situation became unbearable since its consequences expressed themselves in an annoying income increase of private business, which was supplied at state prices and which sold at free market prices. Only some industries decided, at that time, in favor of the--after all, justified--increase of sale prices while the "battle for business" put a halt to increasing free market prices, at the same time, throwing out the baby with the bathwater; i.e., eliminating private business before we were able to replace it with a socialized system.

In later years, a certain order in sale prices occurred, which included, however, the adoption of the two-level principle of prices with a considerably lower level of manufactured goods than consumer goods. This was supposed to be conducive to the development of industry. Following October 1956, the two-level phenomenon was toned down slightly. However, in the area of compulsory deliveries--it was decided not to eliminate them but only to limit them. One of the consequences was the permanence, for over 20 years, of an absolutely unfounded disproportion between low food prices and high prices for manufactured goods. The pressure of economists aiming for the elimination of these disproportions was met with opposing views and did not find understanding with the authorities. In the late 1970's, under conditions of rising inflation, we reached a paradoxical state in which, following the increase of procurement prices carried out the year before, surcharges on food reached an amount nearly three times higher than the takings at official prices. I am

not writing here, the detailed history of aberrations which have characterized our price policy for over 30 years--I only wanted to make us realize that we have been unable to correct the original sin of 1945 up to the moment of current price operations. What is worse, the 1970's destroyed this limited financial accumulation, which we achieved within the framework of the price system at that time, leading the state of affairs to total absurdity.

Inflation came into being very early and it had to come into being. In the beginning, its sources were not so much investments--modest, for the time being--as the lack of budgetary income and the financing of industrial deficits. With the beginning of the 6-year plan, investments with an expanded range and a diminishing, by force of fact, effectiveness and, above all, with an increasingly longer investment cycle, emerged at the head of causative factors. The inflationary spiral was temporarily halted by the currency exchange and sharp price increases--so sharp that in 1953, it was even necessary to conduct a slight lowering of prices; however, inflationary phenomena reappeared rapidly while drain-type operations from the turn of 1957-1958 were too imperfect to bring lasting balance.

During the 1960's, a rather paradoxical situation developed. Fear of inflation played an important role in the policy of the then first secretary, which in turn gave rise to the halting of wage increases and more strictly speaking--to their stagnation. In spite of this, however, huge increases in employment and again rising investment rate became the new source of the inflationary process, particularly since they were accompanied by resistance towards increasing the production of commodities necessary to meet the increasing demand of goods of a higher order (the well known reluctance in respect to automobiles) and the willful halting of meat production increases. It is not worth talking about the 1970's in more detail--their memory is still quite fresh. In sum, the euphoria of "building a second Poland" in combination with delusion, since the increase in nominal wages will in itself be a sufficient incentive for production growth, have transformed a creeping inflation into inflation which someone aptly called barbarian. Applying the brakes in 1974 to the rate of investment growth along with parallel wage increases would without a doubt, be enough for a painless restoration of balance. Two years later, a strong remedy was already required which failed in 1976. The year 1981, under conditions of well known opposition, difficulty and wage pressures, naturally, could not eliminate inflationary tensions. In sum, if we disregard short intervals of several months duration and, at the most, lasting 1 year, we have lived through more than 30 years under conditions of weakening and intensifying inflation, creeping inflation and finally on which totally ruined market balance.

The history of employment superfluity is equally as long with only one difference--that in the beginning this superfluity was an economically harmless and socially useful phenomenon. I once used the description that during the 3-year plan, we had adopted an open door policy in factories; i.e., employing anyone who applied. This protected us against apparent unemployment and enabled people returning from camps [concentration, labor], from deportation and repatriots to adapt themselves to the new conditions of life and work. At the same time, the rapid growth of production made it so that after 2 or 3

months, those who made up the employment glut became needed in the given plant. At the threshold of the 6-year plan, the situation began to change. Employment increases, fed by an influx of persons from rural areas were too large for a slower rate of production growth to stabilize, without giving rise to lasting employment overgrowth. During the 6-year plan and within the framework of the developed directive-type system, managing directors were the letter of the plan but by esoteric knowledge of the real meaning of particular indexes. There were, in fact, no sanctions for failure to work out the financial plan or for exceeding the limit of employment. Only the failure to work out a total production plan could have resulted in unpleasant consequences for the managing director of an enterprise.

Under these conditions, the phenomenon of creating a "private, reserve working army" in enterprises must have taken on a commonplace character. In 1957, an attempt was made at eliminating overgrowth by changing financial regulations in the example of Yugoslavia, in such a way so that savings from the wage fund achieved by decreasing employment, would increase employee earnings. The result was mediocre and just as mediocre were the effects of the administrative methods of fighting overgrowth; a short-lived battle because during Gomulka's time as well as during Gierek's, one of the major tendencies of employment policy was the stimulation of the passage from the country [rural areas] into the city (justifiable to a certain degree during the 1960's and totally unfounded in the 1970's when this process weighed heavily on the conditions of agricultural production).

The year 1981 revealed that personnel overgrowths [surpluses] became a kind of fossilization; that with a 15 percent drop in production, employment did not even budge; that with some 130,000 unfilled positions in certain plants, only some 13,000 people are looking for work and that the rest are stubbornly remaining where they were employed. It should be stated for a third time that the disease of overgrowth in employment is also a long-term disease. What is worse, it seems to me, is that this is the most difficult disease to overcome; that from among current projects, the so-called, relocation of the labor force is a task which raises the least hope.

And finally, the last issue. An issue with a fundamental meaning but so much has been written about it, that it can be described with extreme brevity. The directive-distribution system, which became consolidated together with the 6-year plan and which perhaps even had certain justification in the beginning, turned out to be extremely resistant to all attempts of change. The attempt of 1957 was reduced to a minute particle of the initial plans and in time, even this particle succumbed to deformation (for example, eliminated directive-type indexes were replaced with allegedly informational indexes). The, so-called WOG [large economic organizations] reform was no more successful. As the end result, bureaucratized and often autocratic unions became its child. In comparison with the remaining problems, the only difference is that this system fell apart by itself; that before it became reformed, it had already ceased to function. However, a new system is being created, as we know, in ideally unfavorable conditions so that the task is, by no means, simple.

It was not my intention, in that which I have written above, to outline an overall picture of the 30 or so years of the economy of PRL. Such a picture would require very extensive completion as well as the addition of colors other than black. This is simple the "history of a disease" or more strictly speaking, the history of four, long chronic diseases whose cure is a condition for the prevention of further downfall. The battle with these diseases, which was extremely imperfect during the greater part of last year, has today taken on the form of a general offensive on an immensely vast front. Operations on this scale cannot run their course without disturbances, without partial setbacks and without delays in this or another segment. However, chronic diseases, about which I have spoken, have attained such proportions that something less than the undertaken operations would only be a half-remedy--a Band-Aid on a broken leg.

I am not attempting to either resign from making critical evaluations of the conducted offensive's particular elements--should there be reasons for them--or to persuade anyone to abstain from polemics or criticism. However, we must not forget the extraordinary dimensions of the entire undertaken operation. This is a true act of courage. I want to believe the Roman proverb, which proclaims that good fortune favors those who are courageous.

9835

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FLAGRANT NEGLIGENCE IN TRANSPORTATION CITED

Warsaw RZECZPOSPOLITA in Polish No 21, 6-7 Feb 82 p 3

[Article by Romuald Augustyniak: "The Inspection of Transportation"]

[Text] Stealing from warehouses and railroad cars and damaging of goods during transport are causing serious losses in the national economy. This problem was investigated at the end of November 1981 by the BKURM [Inspection Bureau of the Office of the Council of Ministers] which is now compiling the results of the conducted survey. The finished document will be presented to the Economic Committee of the Council of Ministers.

The inspection, ordered by the president of the Council of Ministers, involved 30 enterprises, seven local dispatching centers and 36 train stations. The inspections were performed by inspectors from the BKURM aided by Polish army officers and personnel of the Ministry of Transportation. The inspections were very comprehensive; compliance with regulations concerning the loading, transport and unloading of goods was evaluated. The results of the survey were evidence of the generally poor state of protection of cargos against destruction and thievery, the deplorable state of many warehouses and technical equipment, and the enormous confusion and indifference of people responsible for this state of affairs.

Under A Leaky Roof

Even before they reach their destination, goods are exposed to destruction and thievery in poorly maintained and inefficiently protected warehouses. For example, the inspectors have stated that the Spolem cooperative in Bydgoszcz installed its warehouses in cellars into which water leaks when it rains. At the PZZ [State Grain Enterprise] grain warehouse in Rzeszow the roof leaks, glass is missing from many windows and the caretaker was sleeping when the inspectors entered the building at 2100 hours through an open back door. Among the Polmozbyt warehouses in Poznan, automobile engines were strewn about totally unprotected, and auto body parts were rusting in the rain.

It was somewhat better at the local dispatching centers. But even there, much chaos was uncovered, especially the detaining of consignments for several months. At the Katowice Local Dispatching Center, 36 consignments were uncovered that did not have necessary documentation, such that it was not known

in general where to send the consignments. Twelve of these packages had been there since the previous year.

TV Receivers in Refrigerator Cars

Goods are loaded carelessly and into unsuitable railroad cars that in addition are technically inefficient. During the third quarter of last year, the PKP [Polish State Railroads] dispatched 4,504 railroad cars to the URSUS Mechanical Plants of which more than one-half (2,345) had various technical defects, including damaged floors.

About 40 percent of the railroad cars sent to the Warsaw Television Plants to transport TV sets were refrigerator cars. The PKP sent coal cars to the Wroclaw Predom-Pola enterprise to transport refrigerators.

The packing material used by senders often does not adequately protect goods against damage during transport.

After railroad cars are loaded, they are often held up at plant railroad sidings, sidings or stations, neither guarded nor illuminated. This creates an ideal opportunity for thievery. Since neither cargos nor the laden seals are usually checked when trains are expedited, it is difficult to determine who layed their hands on a signment and where.

On the Railroad Tracks

At the surveyed railroad stations, work organization was faulty, a fact which encouraged thievery and damage to consignments. As an example, there is the railroad car that was loaded with buckwheat groats and sent 11 November 1981 from the PKP Malaszewicze station to the Zabrzeg-Czarcolesie station. It took over two weeks for the consignment to reach its destination. During the long journey 13 bags of buckwheat were ripped open and a certain portion was ruined.

Coal for the Plock Bridge Work Enterprise and other places arrive at the PKP Poznan-Antoninek station, then it is transported via trucks to the actual coal yard which is 20 km distant. At the same time, the inspectors have stated that at a distance of about 1/2 km from the coal yard there is another railroad station, the Poznan-Strzeszyn station. A king's ransom to him who knows why the closer station is not used to unload the coal.

Much damage is done to rolling stock and cargos by arranging and rearranging trains and by rolling railroad cars down so-called switching mounds. During a 10-month period last year 1,665 railroad cars were damaged in this manner at the Krakow-Nowa Huta station.

The inspectors discovered significantly fewer irregularities when it came to transporting goods via trucks. At most inspected units, the technical condition of the vehicles and the method of loading and protecting consignments did not cause concern. As related by the inspectors, this is the result of

strictly defined individual responsibilities for specific actions and for the security of cargos during transit.

All the shortcomings of loading and transporting can be seen most clearly at the destination stations when the customer calls for his sent goods. Much damage to cargos and rolling stock occurs during unloading, especially mechanical damage. At the Warsaw-Okecie railroad sidings, workers from the Siekierki electric power and heat generating plant damaged 1,065 coal cars during a 10-month period last year, causing over six million zlotys of damage.

The November inspections showed that the implementation of Order No 35 of the president of the Council of Ministers, dated 28 September 1981, regarding the tightening of security for the receipt and transport of market goods was not, in general, effective. Although attempts were made to place the blame for many of these shortcomings on bad mechanical conditions, insufficient number of employees and other similar reasons which would appear to be objective factors, the greatest responsibility falls on people who are indifferent about basic work obligations and display a total lack of imagination and foresight as to who can be hurt by this.

We will inform you separately about the decisions made by the Economic Committee of the Council of Ministers regarding the results of the inspections.

11899

CSO: 2600

MINISTER DISCUSSES FOOD SUPPLY, AGRICULTURAL SITUATION

Warsaw RZECZPOSPOLITA in Polish 10 Mar 82, p 4

[Text] Society at large, not merely farmers and food producers, is concerned with the agricultural situation and measures taken to increase farm output, to improve crop procurement, and to boost food availability on the market. What are the most important problems facing food producers? What do they expect from industry and the cities? What can we expect in 1982 in terms of food supply? These are problems which are raised by our reporter in an interview with Minister of Agriculture and Food Administration, Jerzy Wojtecki,

[Question] What major stumbling blocks, in your opinion, have been removed to help agriculture overcome the present difficulties with food supply? What are guarantees for a successful implementation of this crucial task?

[Answer] The main hope is in the practical implementation of supply priorities which have been granted to this sector of national economy. An increase and stabilization of food production is possible only if farmers can purchase more fertilizers, pesticides, machines, and building materials, if land-reclamation is increased and efficiency of farm services is improved.

Moreover, absolutely necessary is a further improvement in farmers' living conditions as well as a continuation of the effective system of economic incentives and a guaranteed purchasing power of farm income. Only these can give farmers a sense of stability and assure them of profitability of agricultural production.

One cannot look at agriculture only through food shortages and everyday shopping problems, neither can one pit urban consumers against farmers. Instead, one should consider continuous and effective ways of helping farmers. To be sure, these are not easy considerations, and they usually require comprehensive solutions, but in due time they should produce desired effects and contribute to a radical improvement in the supply of means of production to farmers. The effects of such actions should be felt by the farm sector already this year.

Our agricultural policy is geared toward a situation in which price structure would encourage grain and animal production, especially a production of milk and slaughter hogs. Loan policy will favor marketable-crop farms which have

contracts with the state. The same criteria will apply to the rationing of fertilizers, fodder, construction materials, and machines.

I wish to emphasize that the underlying principle of new system of agricultural prices, introduced on 1 February 1982, is to maintain the parity of farm income at least at the same level as income in other sectors of the national economy. This will be achieved through economic means, for example, procurement prices, which guarantee steady profitability in all sectors of farm production, and a balanced structure of procurement prices, prices of means of production, and food prices in retail.

A guarantee for a successful recovery from our food supply problems lies in the consistent implementation of the agricultural policy which is shared by the Polish United Workers' Party [PZPR] and the United Farmers' Party [ZSL]. It also lies in the farmers' natural and health striving for self-government and participation in a decision-making process regarding farm production. The farmers' self-government may and actually should represent the interests of all food producers and the agricultural community as a whole in their dealings with the national and economic administration.

We will continue our efforts to improve farmers' working and living conditions and to diminish social and cultural discrepancies between urban and rural areas. This will be accomplished, for example, through a new system of retirement benefits for private farmers, which should ultimately put a halt to the outflow of the young farm generation. Without this young generation, the future of our agriculture would be undermined.

In the very near future, the earlier agreements with farmers and their unions will become law. For example, regulations concerning civil law and land registry will be revised to include a more precise treatment of farm inheritance and realty in the socialist system. Regulations about protection, re-possession, and integration of croplands will incorporate farmers' demands and undoubtedly put a stop to many conflicting interpretations.

[Question] What are the main threats to this year's food production?

[Answer] Farming was chiefly handicapped by a lack of stability, a continuous shortage of means of production, especially machines, and the economic policy which was not dynamic enough. These factors have resulted in low procurement. They have also led private farmers to hoard some crops in the hopes for an increased purchasing power of farm income or a better backing of money supply by market goods.

We have provided the consumer market with the absolutely necessary supply of grains and potatoes from the 1981 harvest and with slaughter animals. Such measures should eventually improve crop yield in the farm sector, which in turn will increase the stability of the whole national economy. Our society is looking forward to full procurement of slaughter animals and grain under recent contracts and to the nonrecurring grain loan. The grain needs of the country and the conditions of the grain loan were discussed in detail by PRZECZPOSPOLITA, so it is not necessary to repeat them.

We believe that, with the help of continuing grain imports, basic consumer needs will be met, and it will not be necessary to impose compulsory delivery quotas which used to be so burdensome to farmers. Personally, I believe that economic logic and our farmers' mature attitudes will prevail and it will not be necessary to use such drastic measures which would have to be undertaken had the steady supply of flour and bread been endangered.

The public opinion should know, however, that there are serious problems with animal production. Therefore ration coupons for meat and butter are still not fully covered by supplies. In 1982, financial problems as well as economic sanctions imposed by the United States and several other capitalist countries will make it impossible for us to buy essential amounts of grain, especially corn. This will result in a decrease of poultry supply to the market by over 300 tons, or about eight kilograms per person.

In order to secure a supply of basic farm products in amounts necessary to meet all food needs of the nation, and in order to involve a marketable-crop production every farmer with one hectare or more of cropland, we plan to introduce contracts for all crops in close connection with standardized and reliable deliveries of basic, factory-made means of production. The contracts will be linked to sales of coal, fertilizers, and concentrated fodder. Deliveries of these items to individual voivodships and eminas [parishes] will depend on actual marketable crop production in those voivodships and eminas. On the other hand, fixed assets such as tractors, automobiles, or construction materials will be available to farmers through a system of down-payments out of their earnings, deposited in Cooperative Banks for the crops they have sold since 1 November 1981.

[Question] Food economy during the past two years has been an object of great public concern. Since August, 1980, the debate on this subject has heated up considerably. How do you evaluate this debate? Which points of the debate have been of value, and which ones have been wrong?

[Answer] The interest of the urban public opinion in farming has increased as food availability on the market decreased, but from the very beginning there has been an insufficient understanding of the fact that our farms suffer from inadequate capital expenditures, from stratification and decreasing efficiency which limit marketable crop production. On the other hand, the public opinion of the farm community has become more outspoken in its demands for a higher supply of means of production, an increase in farm profitability, and an improvement of living conditions.

The debate has been important for it has pointed out reserves, that is, possibilities for increased production on both sides of the union between workers and farmers. The debate has been a sensible and widespread poll of the public opinion, and its general conclusions have been utilized to formulate programs of action and to revise various regulations dealing with rights and responsibilities of the farm community and responsibilities toward the farm community.

But the debate has been wrong especially in its escalation of complaints and postulates addressed to farmers who, as availability of means of production went down and various formal obstacles increased (for example, regulations making intensive cropland usage difficult), could not fully guarantee a steadily increasing level of food production. Equally wrong was the criticism of state farms as a whole. Much damage was done to those state farm employees who have had good production results and who could serve as a model for others.

[Question] Are there any reserves left within agriculture and food industry? Where are the reserves and how can they be utilized?

[Answer] To be sure, there are various kinds of reserves which could be utilized through better work organization, strict adherence to technology, better job training, and more efficient control and advisory bodies. All this does not usually require new regulations or additional positions and investments. In grain production, the reserves include better cropland usage, general improvement of agricultural engineering, more efficient application of fertilizers (on the basis of careful examination of soil samples), and better maintenance of land-reclamation equipment. In animal production, the biggest reserves include more economical usage of fodder, for both animal feeding and storage.

In food industry, the main reserves include a steady supply and efficient use of raw materials, without waste and production suspensions, as well as the multi-shift implementation of increased processing capacities. All this is not just wishful thinking. During the past, very difficult year, many volvodships met their crop procurement quotas, while others were 50 or more percent short.

A great deal of production potential can be inexpensively released through a higher efficiency of mechanical and transportation services for farmers and broadly understood maintenance and repair services. This should be made easier when a new economic system is introduced. Farm services, which implement good overall work organization, will be especially profitable under this system.

[Question] What are 1982 predictions for agriculture? Is there a chance that 1982 will be a better year than 1981?

[Answer] In agriculture, the year 1982 should bring not only a stop to the production decrease of the past, but also a permanent trend toward production increase. By 1985, we hope to increase grain yields to 28-30 quintals per hectare, which will increase annual meat consumption to 60 kilograms per person. This is not much more than the present level of meat consumption, but this increase will be possible with less imported fodder. The import will be paid for by the export of other crops.

Everything depends on the other subsectors of the national economy, which should increase their input in meeting the basic, measurable needs of agriculture and food industry. A great deal depends also on the general

improvement in farm production efficiency. The difficult economic situation of the country will, unfortunately, continue to limit the possibilities for a more radical improvement in the supply of means of production to the farm sector. Experience and political logic tell us, however, that we must cut corners in farming as little as possible, and this conclusion will be implemented by the government.

We are aware of the objective limitations. Consequently, we have adopted a farm policy which must be followed by both managers of the production process and producers themselves. Our policy focuses on a comprehensive program designed to improve production efficiency through a wide range of factors which occur in farm production process. This includes a maximum reduction of waste of raw materials and crops. As I have already said, these are the largest reserves within agricultural production, food industry, and food economy. The utilization of these reserves is the responsibility not only of the Minister and the central and local administration, but also of farm services, work forces and management staffs of food processing plants, PGR [State Farms] employees, members of the RSP [Agricultural Producers Cooperatives], and millions of private farmers.

If we are successful in utilizing these reserves--and personally, I believe that this process is already underway--overall the year 1982 may be better than 1981 in terms of farm production and its materials effects and in terms of the nation's feelings and perceptions. This will occur especially if we look at the entire farm sector through the needs of the market and thus consider agriculture a top priority in the national economy, whose material needs should be fully met even in a situation of centrally limited production capabilities of the country. If the consumers are to experience an actual increase in availability of food and if social tensions brought about by chronic food shortages are to diminish, then one should simply fight for all possible means on every level and in every social group. There is no other way.

9852

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U.S. ECONOMIC RESTRICTIONS CAUSE POULTRY PRODUCTION PROBLEMS

Warsaw ZOLNIERZ WOLNOSCI in Polish 8 Mar 82 pp 4, 5

[Articel by Col Prof Dr Mieczyslaw Wasylko: "Poultry Production in Jeopardy"]

[Text] Solutions must be found for many difficult problems in our country. Lately a new problem has surfaced: industrial poultry production. A lively discussion has been initiated, if not altogether a fight to salvage industrial poultry production that has been run down almost to the critical point.

The current situation results from the economic and propaganda war that the U.S. administration is waging against our country. A concrete manifestation of this struggle is found in economic restrictions that have deprived the poultry industry of the feed needed to fatten poultry. The restrictions will make a negative impact on the nutrition level of our people. They can painfully affect our society while we are vigorously putting our economy in order and searching for optimal arrangements enabling us as soon as possible to overcome the crisis in which we have been mired. Certain concepts of solving this problem have been offered in the daily press, in ZYCIE WARSZAWY and especially in RZECZPOSPOLITA. I would like to address some aspects of this issue, relying on materials of the Main Statistical Directorate [GUS] and Poldrob and considering my own analysis.

As known, poultry production in Poland has developed according to the general world trend marked by a continuous growth of poultry consumption that has become prominent in the overall meat diet.

The following levels of production were attained in 1981 due to the steady implementation of the development program in the poultry industry.

Procurement of slaughter poultry, total	505,000 tons
contract deliveries	501,000 tons
small-producer farms	4,000 tons
Procurement of consumer eggs, total	3,520 million
contract deliveries	2,637 million
small-producer farms	883 million

Sales of poultry procured by Poldrob in the domestic market amounted in 1981 to 353,000 tons, resulting in per capita consumption of 10 kilograms of poultry meat, with overall consumption of 12.5 kilograms. Sales of eggs in domestic markets amounted to 2,906 million during the same period, or about 150 eggs per capita in urban areas. Overall consumption was 237 eggs per capita. We have been forced to alert our society to a precipitous decay in industrial poultry production after a period of markedly favorable development. The word "alert" may not be adequate to describe the situation. "Alert" connotes only a warning of impending danger, whereas we are dealing with facts.

Collapse of the Balance of Payments

A question must be asked about why the system of poultry breeding, established with considerable effort and outlays, is dismantled partially and threatened with total liquidation. The answer is simple. The feed balance based on grain imports from the United States has collapsed. In 1981, we imported 8 million tons of grain, of which 2.4 million tons went to industrial poultry production. In 1982, the allocation of only 1 million tons for that sector is envisaged. However, this target is contingent on the import of about 4 million tons of grain, which so far is uncertain.

This problem has been addressed in the following way at the Seventh Plenum of the Central Committee of the PZPR: "We have been importing about 2 million tons of feed corn annually from the United States. In this case, the restrictions mean a decrease of poultry production from 505,000 tons last year to 170,000 tons this year. Consequently, meat consumption per capita will be reduced by 7 kilograms and egg consumption, by 25 eggs annually. Thirteen thousand persons will lose jobs in the poultry industry. Producer goods worth about 75 billion zlotys will not be used."

Overall, we are threatened not only by poultry meat and egg shortages in the quantities but also by squandering manifested in the failure to utilize 11,700 standard specialized buildings with floor space of about 1,000 square meters each and 33 industrial slaughterhouses with a total capacity of 505,000 tons of slaughter poultry (200 million broilers) a year, where poultry is slaughtered and processed. Also, 13,000 workers will be laid off in the poultry industry.

It should be mentioned that FAO provided considerable assistance in setting up the program of poultry breeding. The amount of this aid exceeded \$1.5 million. These funds were used to pay for FAO experts, the training of Polish specialists abroad and purchases of machinery and equipment for a poultry research center. While FAO has provided concrete assistance, the decisions made by the United States administration aim at undermining past achievements.

Points in the Discussion

Many points must convince decisionmakers that liquidation of the poultry industry should not be allowed to occur. Here are some.

Poultry is the most inexpensive meat all over the world. For example, in 1980, broiler chicken cost 4.6 DM per kilogram in the FRG, whereas pork, about 9 DM. In the United States, 1 pound of beef costs \$2.45 and 1 pound of pork, \$1.45, whereas 1 pound of chicken is \$0.75. Differences of this kind occur in other Western countries. These differences are primarily due to feed grain input per kilogram of slaughter weight. According to Poldrob data, between 4.5 and 6 kilograms of fodder mix are required to produce 1 kilogram of pork and only 2.2 to 2.6 kilograms per kilogram of poultry meat.

Production cycles in industrial poultry production are characteristically short. For example, a broiler chicken weighing about 1.6 kilograms is fattened in 8 weeks, consuming up to 2.6 kilograms of feed mix per kilogram of meat.

There should be a certain quantity of poultry in the diet. Research into patterns of consumption of animal products in the diets of many countries has shown that an increasing role of poultry products such as meat and eggs. This also explains the high rate of growth of poultry meat production. In 1979, production amounted to 21,039 million tons, registering a 31 percent growth over 1974. By 1979, the share of poultry meat in the total meat production grew to 20.3 percent, whereas the share of pork decreased from 42 to 32 percent and of beef, from 36 to 32.8 percent. At the same time, the share of poultry in total meat production in Poland was as low as 12.3 percent. This is why treatises in the press on whether it is better to produce poultry and eggs or to breed hogs can be considered controversial. Both sectors should be developed in appropriate proportions. However, we certainly do not emphasize cattle breeding enough.

Poultry production ensures an improvement in the supply of very valuable protein to the population.

It is on the basis of such considerations that the government of the PRP decided some time ago to speed the development of the poultry industry.

How to Help the Chicken

Putting it mildly, certain shortcomings have undoubtedly occurred in the development of industrial poultry production. Primarily, they occurred because of the almost total reliance of poultry breeding on imported feed. At the inception of the program, no research and development was undertaken in order to lay foundations for a domestic feed base. "However, when forests are afire, it is not time to mourn roses." Therefore, decisions must be made to facilitate the optimum solution to this problem.

From the point of view of social interest and rational utilization of capital investment tied up in equipment of large-production poultry farms, the following should be done in a crisis period:

- 1) To finalize in the most expedient manner trade negotiations with foreign companies that have expressed preliminary interest in cottage-industry production of poultry in Poland.

b) To reconsider the situation with the feed balance in 1982 and to make decisions immediately within the framework of the government meat program so as to enable us to survive the crisis in this sector. At least a minimal amount of feed necessary to ensure the stability of production processes should be allocated on the basis of an equivalent in meat exports.

c) To facilitate egg procurement from small-farms by Samopomoc Cholpska through the arrangement that was in effect until 1975 and at that time provided about 2.5 billion eggs. Financial incentives in this field exist in the form of favorable prices. At the same time, the decrease in per capita poultry consumption by 7 kilograms a year can be acceptable in the transition period if the level of 3.5 kilograms per capita, from slaughtering in private farms for their own consumption and sales in the free market, can be maintained.

From the point of view of the optimal provision for the needs of society and future utilization of the production facilities of large poultry farms, the following should be done:

a) To facilitate scientific-research activities and studies on the ultimate solution of the feed problem with a view to becoming independent of the West and using domestic raw materials rationally. Poultry must not be fed primarily with corn, as thus far, but with other mixes, including such ingredients as barley, wheat, oats. Therefore, it is absolutely necessary to increase domestic output of these grains. There are ready formulas of industrial feed mixes based on local raw materials.

b) To undertake vigorous actions in order to change the technology of the feeding and production of poultry. The goal must be shortening the fattening cycle to 6 weeks and reducing feed consumption to 2 kilograms, the feed being based on adequately processed domestic raw materials. Feeding must utilize the initial herd, which grows and matures to the slaughter specifications faster.

9761

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RESPONSIBLE OFFICIAL DISCUSSES MINERAL FERTILIZER SUPPLY

Warsaw DZIENNIK LUDOWY in Polish 18 Feb 82 p 3

[Interview with Director Jan Biel, plenipotentiary of the Ministry of Operational Program Affairs, in charge of mineral fertilizers: "How Much Mineral Fertilizer Will There Be?"; date and place not given]

[Text] There is a lack of fertilizer in commune cooperatives. Spring is rapidly approaching. Farmers are worrying: Will fertilizers be available? The problems in industry are known: the lack of raw materials, restricted supplies of heating fuel and energy. In order to overcome these difficulties, plenipotentiaries have been appointed to accomplish particular operational programs. Jan Biel, until recently director of the Association "Petrochemia," which forms a nucleus of nitrogen fertilizer factories, is responsible for the production of mineral fertilizers. Thus, Director Biel is probably the most competent source of information.

[Question] Mr. Director, are you responsible for the production of all fertilizers?

[Answer] As the minister's plenipotentiary, I am responsible for an effective program in the nitrogen, phosphate, potash and lime fertilizer supplies area and also for pesticides.

The nitrogen industry was one of a few that maintained production and fertilizer supplies in 1981 at the 1980 level. Perhaps this is an achievement because our problems were no less than those of other branches of industry. They were described in an interview given "DZIENNIK LUDOWY in October 1980.

The priority for the production of artificial fertilizers, as before, was almost exclusively on paper and not factual. The talk here is of 1981.

However, we have already found a greater understanding of the position of the fertilizer industry regarding supplies of electrical energy and coal. This does not mean that there never was a lack of those raw materials. Gas supplies were less stable, particularly in the fall-winter period, but that was the result more of the paucity of supplies rather than a lack of understanding of the importance of this branch of production. On the other hand, we were not given priority for supplies of equipment for industry, armatures, tools,

smelting works materials, spare parts and transportation resources. Likewise, no enterprises outside the chemical industry were eager to undertake overhaul and modernization work.

Nothing was done toward modernization and reconstruction in the fertilizer industry, and the delays in building Polic II were ever greater.

The support that counted was the supply of 100,000 tons of ammonia from the USSR and substantial supplies of nitrogen fertilizers--also mainly from the Soviet Union.

[Question] This retrospection puts one in a gloomy frame of mind. What do the prospects look like this year?

[Answer] Supplies of fertilizers and pesticides are covered by 14 operational programs. As before, we have a realistic priority assured for electrical energy and coal, and to a lesser degree with gas. Essential foreign exchange resources for the import of raw materials and for materials for the fertilizer industry have been allotted, as well as components and finished preparations insofar as plant protection is concerned. They are reserved for us in the Central Socioeconomic Plan, and in a disciplined way, considering the country's overall economic conditions.

The situation is somewhat worse with the supply of other materials, which is impossible to cite in the CPSC [Central Socioeconomic Plan]. We judge that all other materials, equipment and repair capabilities essential for the fertilizer and pesticide industry will be assured.

We want to believe that a single economic policy is obligatory in the country, that the operational programs only constitute its definition and that all units are obligated to the achievement of that policy. Neglect of the needs of operational programs, or the setting of goals for them other than those prescribed, can be treated only as an indication of particularism, as a continuation of an outmoded policy of "arrangements," "breakthrough forces," "fixes," etc., or as a lack of discipline in the accomplishment of government decisions. This new truth must reach all who try to understand independence as lawlessness!

We consider that everyone who still does not honor prescribed operational program priority will become aware of this.

[Question] Mr. Director, you have presented quite a few cautions that raise doubts. Moving on to specifics....

[Answer] As a minimum task in the area of nitrogen and phosphate fertilizer, we set ourselves a goal of overcoming the drop in production, and in 1982 we want to obtain 5 to 10 percent more of these fertilizers.

Central authorities, at least for today, have created such conditions for us. The rest depends in equal measure on staffs, managers of production establishments and our cooperators and suppliers in the broad sense of that word.

We are particularly counting on the assistance of the machinery, smelting and construction industries for a supply of materials, spare parts and repair work by their repair-assembly establishments. We are likewise depending on full and successful transport of fertilizers by the Polish State Railways.

[Question] How do you intend to overcome these difficulties?

[Answer] We want to inform all direct and indirect participants in the production of fertilizers and pesticides that the operational program can be accomplished only by joint effort. As the minister's plenipotentiary, I consider that one of my basic tasks.

I do not exclude the possibility that this persuasiveness on the need for discipline in the accomplishment of programs can be painful for many.

Activities aimed at creating economic conditions for producers will also be continued so that the production of fertilizers and pesticides will in great measure, at least temporarily, be subsidized by the state. The state will be paying industry for fertilizers sold to agriculture at a rate of 70 percent (for nitrogen fertilizers) to 220 percent (for phosphate fertilizers) of the market value, because the cost of production substantially exceeds the retail price.

The Ministry of Finances will control supplementary payments. The State Price Commission, Ministry of the Chemical and Light Industry will, however, also strive to increase production and decrease its costs.

As the minister's plenipotentiary, I will also have an influence on the maximum utilization of the allotted foreign exchange resources.

I do not wish to augment the examples of actions undertaken, because there are many barriers to be overcome, or at least lowered, for example, the prices of gas and their negative impact on the production of fertilizers. Thus, from the standpoint of a fuel balance, the 30 to 50 percent higher gas prices set for the fall-winter season undoubtedly were appropriate, but exactly at that time the fertilizer industry is working at full steam, fertilizers are being accumulated for spring sowings. In practice, those gas prices make it impossible to exploit periodic, specially favorable technical conditions for fertilizer production over and above the planned quota.

We turned to the chief inspector of the fuel and energy economy with proposals to resolve this contradiction.

As can be seen, we intend to place greater emphasis on systems-type influences, and on interventionist and summary ones, because we believe in the greater effectiveness of such actions and their stronger influence.

[Question] What can farmers count on this year?

[Answer] I will begin with pesticides. I have optimistic information here. We envisage an increase of 30 to 40 percent in supplies; this means about 15,000 tons of preparations reckoned in concentrates, of which 9,000 tons will be delivered during the first half of 1982. This is conditional on proficient import of semifinished products and concentrates. There are foreign exchange resources for this. Much depends on the proficiency of foreign trade.

Insofar as nitrogen fertilizers are concerned, the supplies this year will be in the neighborhood of 1.3 million to 1,350,000 million tons; that is, they will be somewhat higher than last year.

[Question] I will frankly admit that this "detail" arouses my pessimism. I hope that I am wrong.

[Answer] The CPSG envisages supplies of 609,000 tons of nitrogen for the first half of the year. We want to increase that by 30,000 to 50,000 tons. However, this will require optimal production conditions. Meanwhile, I have just learned that after a couple of normal days, very sharp restrictions were introduced for gas. Gas is the basis of nitrogen fertilizer production. Also, there is a lack of railroad cars in Pulawy for loading saltpeter, which cannot be stored.

As far as phosphate fertilizers are concerned, we envisage that the supplies in 1982 will amount to 770,000 to 1 million tons in pure component. In other words, there will be an increase of more than 100,000 tons. Agriculture will obtain half of that amount in the first half of the year so that supplies will be maintained at last year's level. The poor quality of phosphate raw materials may cause complications. In both assortments there is no export, while a substantial supplemental import of fertilizers is planned.

The supplies of phosphate fertilizers, all from import together with reserves, should cover agricultural needs.

[Question] In other words, "if things go well," the situation can continue to be described as marking time, something that in the light of the production drop evidenced in other subsectors of the chemical industry would pass as success. What sort of prospects do you see, Mr. Director?

[Answer] The technical state of the nitrogen and phosphate industry must be improved at any cost, and an answer also be found to a basic question: how to accomplish investments for renovation in the fertilizer industry?

They do not fit into the adopted economic reform criteria. That means that plants without financial support cannot bear those investments, while a portion of the installation must be rebuilt because it will soon be impossible to use. This, for example, refers to the equipment producing nitro-chalk or urea in Radziejyn from the standpoint of its worn-out condition.

Other problems are finding some way to finish the construction of Polic II and resolving the raw materials difficulties of the pesticide industry.

Perhaps the most important problem, without whose solution many others lose their significance, is that of gas supplies. It must be clarified for the nitrogen industry because it is impossible to "make a whip out of sand."

We depend on the involvement of all direct and indirect participants, not only those working on and supporting the "fertilizer and pesticide" program but also the ever-greater effectiveness of systems-type solutions contained in the reform.

10433

CSO: 2600/374

BRIEFS

PASSENGER SERVICE TO COPENHAGEN--Luebeck/Copenhagen 1 Apr (DPA)--The state-run Polish Baltic Shipping Line is to begin a regular passenger liner service from the Skandinavienkai [Scandinavian Quay] in Luebeck-Travemuende to Copenhagen and to Swinoujscie in Poland with the Ferry Rogalin (7,800 gross registered tonnage) starting in May. This was announced in Luebeck today by the Poseidon-Schiffahrt Company, which has become the general agents for the new Polish ferry. According to Poseidon, there are to be three round trips a week and also a weekend trip from Luebeck-Travemuende to Copenhagen and back. Effective the beginning of April the Polish Military Government is to issue visas again for group visits to Poland. [Excerpt] [LD011238 Hamburg DPA in German 1010 GMT 1 Apr 82]

CSO: 2300/226

DEVELOPMENT OF RESOURCE RECYCLING PROGRAM STUDIED

Role in Economy

Bucharest REVISTA ECONOMICA in Romanian No 10 12 Mar 82 pp 4-5, 21

[Article by Dr Vasile Bogdan and Vasile Boescu: "The Recovery and Complex Use of Available Resources - From Concept to Practice"]

[Text] The consistent achievement of the national programs for economic growth, especially those that involved socialist industrialization, led to the development of a consumption of material and energy resources, especially non-renewable ones, in ever greater quantities. In order to provide a growth of approximately 14 times over in the social product and the national income during the period 1950 to 1979, it was necessary for the production of electrical energy to increase by nearly 31 times, for steel by over 23 times, for metallurgical coke by over 42.6 times, for chemical fibers and threads by approximately 86 times, for plastic materials and synthetic resins (100 percent) by over 1,437 times, for tires by over 23.5 times and so forth. In this process, there has been a continuing change in the relationship between the amount of resources obtained from domestic production and those imported. At the 1979 level, 85.6 percent of the total amount of iron ore consumed was obtained through imports, 53.7 percent of crude oil and 48.6 percent of metallurgical coke, under conditions where domestic production was achieved at a rate of 56.3 percent of the imported amount of pitcoal (including anthracite). Also being imported are significant quantities of non-ferrous ores and nearly the entire required amount of cotton fiber, as well as other resources of raw and energy materials.

In order to achieve the economic growth programs, it will be necessary to continue to import, through special hard currency efforts, significant amounts of resources. But, in order to estimate more clearly the difficulties our country is encountering in the area of procuring energy and raw material resources, the fact must also be shown that the main portion of its investment efforts were especially constantly directed towards obtaining these resources from domestic production,¹ under conditions where deposits with a lower and lower useful substance content are being exploited.

Components of National Wealth

The close dependency between economic growth and the increase in the efforts to procure energy and raw material resources requires an adequate strategy that will

lead to optimizing this relationship. Depending upon the trends that are occurring on the international level in the evolution of raw material and energy prices, as well as the continuing increases in production costs generated by the mining of certain of our own deposits having an ever lower useful substance content, it is expected that in the coming period there will be an increase in the efforts that the Romanian economy will have to make in this area. That is why we feel that the true size of the role and place of resource recycling activities in the national economic system can be shaped only through the prism of these efforts. In other words, in the overall group of strategies that involve the rational administration of the resources available to our national economy, in addition to the reduction of the specific rates of consumption and the better use of resources by increasing the degree of processing, an ever more important role is being played by the recovery and re-introduction of all reuseable resources in different economic cycles.

It must be stated that the requirements of the rational administration of available resources are not specific to just the Romanian economy. In a series of works published in recent years referring to the problems of the world economy, among the group of options open to the specialists the recycling of resources is more and more being presented as a solution for resolving the difficulties that appear at the intersection between economic growth, the consumption of resources and the protection of the environment. According to the opinions of certain specialists,² the maximum potential for the recovery and reuse of raw materials is estimated at approximately 55 percent of the necessary amount, with this figure being exceeded right now, in reality, for a series of resources. In explaining the certain limits for increasing the percentage of recycled materials in the total consumption of resources, we keep in mind the fact that any economic process takes from nature a lower level of entropy and transforms it into a higher entropy.³

In other words, a series of resources is found in nature concentrated in deposits, from which they are extracted and, through successive processing, they are dispersed in a multitude of goods and components of these goods, which sometimes makes it impossible to recover them. Without denying the existence of certain inherent "losses" at the level of the entire economic system for a certain useful substance, we must note that such limits cannot be explained merely by the intermediary of the law of entropy. Under conditions where we have reached a point of mining certain deposits having a very low useful substance content (less than .3 percent for copper, for example), the level of entropy going in tends to equal the level coming out. Clearly, these useful substances are incorporated in the goods that represent a high degree of dispersal throughout the country and their recovery, after being used, is nothing more than a problem of improving the collection system, concomitantly with providing the technologies necessary for their separation. In other words, it is expected that in the future the degree of participation of the recycling of resources in the provision of a raw material base will increase. Such a conclusion is also reached by the analysis of the trends that are occurring on an international level with regards to the reduction of the dimensions of products compared to similar products

being taken out of use, as well as those trends referring to miniaturization. This means that the degree of participation of resource recycling in providing a raw material base can also increase due to the fact that, for these new products, smaller amounts of substances of the type that can be recovered from used goods are necessary.

In a study referring to the rational administration of resources,⁴ the problems of recycling are dealt with from a much more encompassing perspective in the context of the life cycle of raw materials and the life expectancy of the goods that incorporate these materials. Concomitantly with the option for such a design for products that will ensure an increase in their lifetimes, it clearly formulates the need to keep in mind the possibilities for the complex recycling of resources right from the concept phase for these products, understanding this to mean: modular designing that will permit the easy replacement of components having a shorter lifetime; the improvement of production procedures so they will permit the repair and reconditioning of goods or components; and the recovery of reusable materials and the separation of useful substances, when a product or a component of this product is completely taken out of use. Naturally, such an overall approach to the problem of recycling resources, also seen in other specialized works,⁵ is directly applicable to mineral resources and especially ferrous and non-ferrous metals which, by their nature, have a practically unlimited lifetime. In processing and use processes, they normally maintain their initial properties and they can be the object of an unlimited number of returns both into economic circuits identical to the ones previously traveled and for the achievement of other use values.

For a series of resources, such as vegetal textile fibers, rubber, plastic materials, pulp and so forth, the recycling problem must be dealt with, however, in the context of the influence exercised by processing and the later use of the goods upon the properties of these resources. As stressed in a recent study,⁶ the fact that the initial properties of these resources are modified beginning with the processing process and ending with the collection and storage processes, leads implicitly to the reduction in the number of returns into the economic circuit. For these types of resources, their reuse for the purpose of achieving the same use value is much more limited and sometimes even impossible. It should not be understood, however, that we are talking about the impossibility of recycling itself of certain types of resources, but only about the different content and specific nature of these resources. Basically, even if they are no longer fit to achieve the same use values, such resources can be reused to satisfy other social requirements (for production or personal consumption).

Regardless of whether they are recyclable resources, incorporated in goods taken out of use or in industrial or household wastes, they belong to one or the other of the two categories that have been outlined, with these being interpreted as components of national wealth whose reintroduction into the economic circuit is an objective necessity for at least the following reasons:

a) the costs involved in procuring primary resources (from domestic production or through imports) tend to generally exceed the costs of recycling activities, to which are also added, as is known, the costs for protecting the environment;

b) in the process of economic growth, an ever greater amount of resources incorporated in goods that gradually are taken out of use or in different wastes are accumulated, which gives each national economic system the ability to operate through "self-supply", gradually reducing the percentage of useful substances taken out of the environment or brought in through imports in the total consumption of material and energy resources;

c) due to the increases in the complexity of material goods, at the level of the entire national economy the removal of these goods from use does not always correspond to the complete loss of the use value of all the components or the materials that are incorporated in them. By reusing them to this end or for other reasons, it becomes possible to satisfy certain social requirements using reduced human and material efforts.

Means of Increasing Efficiency

The accentuation of the intensive nature of economic growth in the new stage of the evolution of the Romanian economy is normally approached through the process of reducing the consumption of useful substances and energy involved in the achievement of a certain use value as a result of the broad-scale application of the newest advances of science and technology in the production process. As principal directions for action, there has been, therefore, an outlining of the "desubstantialization" of the production of goods and services and the reduction of the energy-intensive nature of this production by restructuring the economy and, especially, industry in favor of those branches and sub-branches that use raw material and energy resources better. Under conditions where, through recycling, a certain resource takes part in two or more production-consumption (use) cycles, the activities to recover and reintroduce all the resources incorporated in goods (production goods or consumer goods) that have been taken out of use and in industrial, household or street wastes in different economic circuits are an essential means of increasing the efficiency of their use and a component of the complex process of economic growth of an intensive nature.

The characteristic of recycling activities must be seen from a number of perspectives, taking into consideration the components of the recovery and reintroduction process in the economic circuit of resources, that is: the reconditioning and reuse of certain goods in the area of production or consumption; the recovery and reuse (with or without reconditioning) of certain components having a lifetime longer than that of the goods in which they are incorporated; the reuse, as such, of certain materials obtained from the disassembly of those goods taken out of use (steel plate, heavy metal parts, wire, wood materials and so forth) for the direct production of certain products without again putting them through basic processing phases (melting, latheing, rolling and so forth); and the development of a raw material base for industry

and other branches through the recovery of useful substances under conditions where other means were exhausted in recycling the resources incorporated in goods taken out of use, as well as in industrial, street and household wastes. Similarly, recycling activities' participation in the increase in the efficiency of using available resources in the national economic complex must also be dealt with through the prism of protecting the environment.

In reference to the first three means of recycling it must be noted that they contribute to extending the lifetime of the goods, components and materials incorporated in them in order to satisfy certain production or consumer requirements. In this case, we are talking about the reintroduction of resources into the higher processing phases in the economic circuit, which signifies the simultaneous use of all types of incorporated resources (materials, energy and previous labor). The growth of economic efficiency is achieved, therefore, through the reduction of the social efforts involved in satisfying certain categories of requirements and, implicitly, through the contribution of these means to the conservation of our own base of raw materials and energy. Through the fourth means of recycling we achieve the development of our own base of raw materials, reducing the pressures exerted by economic growth on the available natural reserves.

On the other hand, any process of economic growth (especially those of an extensive nature) is accompanied by a corresponding increase in the amount of substances spilling over into the environment, with undesired effects upon the ecological balance and, implicitly, upon the quality of life. In other words, the positive effects obtained through the development of the production and consumption processes tend to be diminished by the losses caused by disturbances to the biological balance under the conditions of an uncontrolled flow of pollutants into the environment. And, such a control, no matter how rigorous, involves human and material efforts to eliminate and neutralize the polluting substances, without being able to completely remove certain large areas of agricultural land and even certain potable or industrial water resources from the economic circuit.⁷ And, through recycling resources even those efforts involved in the protection of the environment are reduced and the undesired effects caused by ecological imbalances are diminished.

These aspects were outlined in order to show the fact that the participation of recycling activities in the growth of the efficiency of using available resources in the national economic complex must be dealt with in a much more encompassing context, taking into consideration the overall group of production-consumption-environment relationships. Precisely from such an encompassing perspective we will attempt to outline the effects and efforts propagated by the recycling of resources in the national economic complex. Appropriately, we could, therefore, include the following in the category of the potential effects of recycling activities:

1) The value of the goods created by processing recycled resources;

b) the difference in the costs involved in procuring recycled resources compared to primary resources;

c) the cost of protecting the environment, which include: the collection, transportation and neutralization of polluting substances and the inherent losses provoked by removing certain agricultural land areas and certain water resources from the production circuit, as well as those derived from perturbations in the ecological balance. Appropriately, the human and material resources involved in the collection, storing, sorting and processing of reuseable substances must also be included in the category of efforts.

Thus, the operating mechanism of the national system for recycling resources cannot be limited to certain measures that exclusively involve the requirement for collecting and reintroducing all reuseable resources into the economic circuit or to maintaining the material balances of the enterprises by including reuseable materials in the portion of available resources. In order for the reuseable resources to effectively become components of national wealth it is necessary, therefore, to shape our own mechanism for recycling activities based on the broad implementation of economic factors derived from the action of the law of value under the specific conditions of a socialist economy, including:

- the substantiation of prices for collecting recycled resources according to the human and material efforts that this involves, which should lead to stimulating the generators of resources to conserve, preserve and turn over their resources to units specializing in their collection, primary processing and redistribution into those economic circuits capable of ensuring their reuse under conditions of economic efficiency. Certainly, these prices (plus the costs for collection and transportation) should not be prohibitive for the economic units that use these resources;
- the stimulative assignment of a level of profitability between the collecting units and the units using the recycled resources;
- the correlation of the prices of recycled resources with those of the primary resources and so forth.

It is clear that the operating mechanism of recycling activities must be integrated and subordinated to the new economic-financial mechanism. Such a consideration requires not only the appropriate use of economic factors, but, to an equal degree, the adapting of the information-decisionmaking system to the new requirements of recycling activities during the current stage and to those foreseeable in the future. Only in this way will the recovery and complex use of all resources available in the national economic complex be able to effectively contribute to reducing the costs involved in obtaining the raw materials and energy needed to sustain the economic growth programs and, implicitly, those involving the protection of the environment.

FOOTNOTES

1. A. Iancu, V. Bogdan, A. Mihailescu and M. Giuvelea, "The Resources and Structure of Industry," Bucharest, Publishing House of the Academy of the Socialist Republic of Romania, 1980.
2. Anne P. Carter, W. Leontief and P. Petri, "The Future of the World Economy," Scientific and Encyclopedic Publishing House, Bucharest, 1979.
3. N. Georgescu-Roegen, "The Law of Entropy and the Economic Process," Bucharest, Politica Publishing House, 1979.
4. D. Gabor and U. Colombo, "Beyond the Age of Waste," New York, Pergamon Press, 1978, which served as the basis for the diagram on p 3.
5. V. Bogdan and E. Deaconescu, "The Full Recycling of Resources Incorporated in Materials Taken Out of Use," REVISTA ECONOMICA, No 5/1979.
6. STUDII DE ECONOMIE INDUSTRIALA, No 22, Bucharest, 1981.
7. Constantin Hotulete, "The Relationship Quality of Water and Quality of Production," REVISTA ECONOMICA, No 23/1981.

Collection System

Bucharest REVISTA ECONOMIC in Romanian No 10 12 Mar 82 pp 8-9

[Article by Ion Hendel, commercial director in the Central for the Recovery and Use of Reuseable Materials, and Marius Costea: "Collection: A Central Point"]

[Text] In the complex process of recovering and reintroducing reuseable resources into the economic circuit, an essential role is played by collection activities, considered to be a true "turntable" through which the normal carrying out of a material flow must be ensured between the economic-social sectors generating reuseable resources and those that use them under conditions of economic efficiency.

On one hand, such a role stems from the many, diverse and uneven territorial distribution of the generators of potential reuseable resources (the overall group of economic and social units and all the people's households), as well as from the heterogeneous nature of the recoverable materials that are the object of collection. On the other hand, we are talking about the variety of means of using recoverable materials within the national economic complex or even through foreign trade, about the large number of economic units that can provide the processing of these materials and about the diversity of their requirements from the point of view of the amounts requested, their purity and so forth. Additionally, the existence of an objective discrepancy between the territorial distribution of the generators of recyclable resources and the distribution of the users influences the overall carrying out of the recycling process and the organization of activities to collect, sort, provide basic processing and redistribute the reuseable materials.

that is why within the framework of the national system for recycling resources, the collection subsystem has the difficult task of achieving and effectively regulating the flow of materials and the financial and informational relationship between the two large categories of participants in the recycling process - the generators of resources and their users.

The Market for Reuseable Materials

From the point of view of the role given to it within the framework of the national resource recycling system, it can be explained why the measures that were adopted (Council of State Decree No 465/1979 and No 10/1980) at the beginning of the 1980's gave priority to the reorganization of all activities to recover and use reuseable materials on completely new bases and in a unified concept. We are talking about giving the role of coordinator of resource recycling activities - at the national level - to the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets. For the actual collection activities themselves, the provision of a unified organizational framework (through the creation of the Central for the Recovery and Use of Reuseable Materials and the territorial network of enterprises and units subordinate to this central) is a result of the fact that, at least from a commercial point of view, there are few cases where an economic-social unit that generates recyclable resources is also at the same time a user of these resources, making it necessary to have a large-scale distribution of these resources between different sectors or units.

And, to reach an end, there must be a true market for recyclable resources. Within the framework of the trade branch, resources whose importance sometimes exceeds that of primary resources, especially under conditions where the primary resources have a limited nature or are scarce for the national economy. Naturally, such a market has specific laws of operation, especially derived from the nature of the supply and demand for recyclable resources. Reflecting precisely these realities, one of the trends that is also occurring on the international level refers to the creation of certain unique organisms at the governmental level with attributes exclusively in the field of recycling resources. From the point of view of the recycled resource market, the existence of such unique organisms (governmental or departmental) has implications on a number of planes, including:

a) To ensure the integration of recycling activities in the operating mechanism of the economy;

b) Through these organisms, they can simultaneously ensure both the cataloguing of potential recyclable resources (supply) and the establishment of the possible destinations for them in the units or sectors that generate them or outside of them (demand). It, thus, becomes possible to transfer recycled resources from one sector to another depending upon the requirements and possibilities for their higher processing;

c) Being strictly specialized, such organisms can contribute to the promotion of certain diversified methods for collecting these resources that are adapted

both to the specific nature of each type of generator and to each type of recycled resource, concomitantly with the promotion of certain efficient technologies for transporting, separating, sorting, storing and delivering;

d) as organisms created at the national level, they can intervene in the regulation of typical market relationships that are established between the organizers and the users of recycled resources.

Within the framework of the national resource recycling system, the collection subsystem has special tasks referring to the market for recycled resources, which also explains its integration into the trade branch, with this having to ensure:

- the pursuit of the collection and efficient use of reuseable materials, first of all, in those units that are also the generators and users of certain recycled resources;
- the normal carrying out of the direct flow between the units generating reuseable materials (railcar-sized amounts) and those using them;
- the direct and full acceptance, using their own forces, of all other amounts of reuseable materials coming from the economic and social units or from the people's private households, their basic sorting and processing and the stocking and delivery of these materials to the different users for the purpose of processing them and transforming them into different goods.

Structured along these lines, the Central for the Recovery and Reuse of Reuseable Materials was involved in 1981 in the recovery and reintroduction of approximately 7.6 million tons of diverse materials into the economic circuit, with the main percentage of materials being held by old metals. In looking at this tonnage, the main portion was held by the recycling within the economic units (54.7 percent) and the direct exchange of reuseable materials between units (27.1 percent), while the collections using our own forces accounted for only 18.2 percent of the total weight of the collected materials. Certainly, the tonnage does not sufficiently accurately reflect the distribution of the real effort since through our own forces a significant amount of material was collected characterized by a large volume and a reduced weight (paper, rubber items, textile articles and so forth) and by a broad territorial spread, including the people's private households. Compared to the achievements in 1975, the total weight of the materials collected increased by 33.1 percent, especially because of the units' internal recycling and the collections from the people, which experienced increases of 43.5 percent and 86 percent, respectively.

From the data presented, one can observe the clear trend of directing efforts towards making collections from the people. This is a natural trend under conditions where the internal recycling in the economic units and the direct forwarding between units have, to date, constituted the principal means of using resources, especially metallic ones. And, under the conditions of moving from the phase of extensive economic growth to one of intensive economic growth it is expected that these

means will show a relative trend of stabilizing while the collection from the people of used goods will take on an ever greater importance. Furthermore, it is a revealing fact that during the preceding decade the collection of paper and old cartons increased by 67 percent - from the socialist units by only 28.1 percent while from the people by 208 percent, with the percentage from the people increasing from 21.6 percent in 1970 to approximately 40 percent in 1981. In other words, it is expected that in the future the market for recycled resources will be diversified and will take on new dimensions by bringing certain reuseable materials from the production sphere, from used goods discarded by the people and from reuseable materials stemming from household and street wastes into the economic circuit.

The Diversification and Improvement of the Means of Collection and Use

Corresponding to the changes of a quantitative and structural nature that have occurred in the area of collecting reuseable materials and that are foreseeable for the coming periods, the promotion of activities to recover and reintroduce reuseable resources into the economic circuit is influenced to an ever more significant degree by bringing the collection system closer to the place where the recoverable resources are produced. From this point of view, it is, in our opinion, a defining fact that the main percentage in the total amount of materials collected continues to be held by the socialist units. In the first 9 months of 1981, these units provided 95.7 percent of the total weight of recovered materials, while the people's households provided only 4.3 percent. These proportions are differentiated by the types of materials that are recycled. Thus, the socialist units accounted for 98.8 percent of the metals, approximately 60 percent of the paper and old cardboard, 45.5 percent of the textile materials and 97.7 percent of the number of tires that were recovered. During this period, 966,000 tires were recovered, with only 22,000 coming from the populace, under conditions where, according to estimates, the owners of automobiles discarded 300,000 tires during the same period. Concomitantly, the private households in the population discarded significant amounts of textile articles which did not find their way into the collection process except in very small amounts.

The explanation for such a situation should not be sought exclusively in the area of millage. In the case of the tires from privately-owned automobiles, we can talk about a clear discrepancy between the size of the supply and the extremely reduced level of demand for this type of recycled resource. Due to the fact that these tires have a high degree of wear which makes recycling inappropriate, only a lower level of reuse has been identified in cases which does not justify their use from an economic point of view. This state of affairs is not specific to just our country. A study conducted in England⁸ shows that three out of four private automobile tires are incorrectly used, which renders them inappropriate for recapping. In other countries, the

⁸CE RECYCLATION - RECULAC, No 4, 26 January 1979, Paris.

collection of tires is achieved for the purpose of cutting them up and storing them until the elaboration of certain efficient use technologies, with such actions being supported from the budgets of the state or local authorities. Similar situations are also found in the cases of other reuseable resources (textiles, plastics and so forth).

In reference to the collection capacity, the fact must be pointed out that the enterprises subordinate to the Central for the Recovery and Use of Reuseable Materials had, as of 31 June 1981, 154 centers with 2,498 collection points spread throughout the country. In a single year (compared to the status as of 30 June 1980), the territorial network has developed by the creation of 15 centers and 387 new collection points. It thus has reached a point where, nationwide, on the average there is a collection point for every 2,814 households (3,779 in urban areas and 2,153 in rural areas). Nonetheless, the current network is proving to be insufficient, feeling the need to be developed as well as to continue to improve the means of collecting from the people's households.

The collection activities involve the Union of Communist Youth organization, the pioneer organization and the people's councils, as well as the consumer cooperatives through the proxy system. It must be pointed out, however, that through these organizations during the first 9 months of 1981 there has been collected less than 40 percent of the total weight of reuseable materials recovered from the populace, with their activities being directed especially towards old metals (over 90.5 percent) and, to a lesser degree, towards other materials (paper and old cardboard, textile materials, tires and so forth). A very reduced percentage (only 2.7 percent of the total weight of the recovered materials) is accounted for by the activities of the people's councils, through the sanitation services, despite the fact that they have a permanent contact with the populace.

These aspects were stressed since, according to certain recent studies conducted under the aegis of O.C.D.E.^{*} [Expansion unknown], in the majority of the developed countries there is a trend towards increasing the responsibilities of the local authorities in the collection and even the basic processing or storage of reuseable materials stemming from household and street wastes. These countries support a portion of the investments made by the local authorities to provide the equipment needed to collect, select and carry out basic processing on the reuseable materials. Corresponding to this trend, the technical equipment in the municipalities are designed and produced not only in relation to the requirements for the actual elimination of industrial and household wastes, but also in accordance with the requirements for selecting from these wastes the reuseable materials for the purpose of reintroducing them into the economic circuit.

From such a point of view, we must mention the fact that the current technical equipment in the collection centers in our country especially correspond to

the transportation and handling requirements for recovered materials, while those at the sanitation enterprises deal nearly exclusively with the elimination and neutralization of urban wastes. The need is, therefore, felt to have a structural reconsideration of the technical equipment in the two networks that are involved so that they will respond on a priority basis to the requirements for collecting, selecting, handling and delivering reuseable materials.

4724

CSO: 2700

BRANKO HORVAT COMMENTS ON PROBLEM OF DECENTRALIZED ECONOMY

Zagreb NASE TIME in Serbo-Croatian No 12, Dec 81 pp 1925-1929

[Article by Branko Horvat: "Republic Economies and Republic Sovereignty"; passages enclosed in slantlines printed in italics]

[Text] It is probably indisputable that the problem stated in the title is the most urgent problem in the field of Yugoslav economic organization. It is at the same time the most delicate one. Which is precisely why I am taking it as the subject of this article.

The problem has its economic, political, psychological, class and historical dimensions. A study would have to be written to resolve it as a whole. In this limited space the problem can be only indicated, and that primarily in its economic dimension.

My point of departure is the indisputable fact that every economy, including the Yugoslav economy, is a system. And every system is a whole consisting of functionally interdependent parts. That means that the macroeconomic organization must be so conceived as to guarantee functional synchronization and operational efficiency. As a consequence the particular institutional and regulatory mechanisms must be the same for the entire economy. This uniformity does not predetermine the /way in which the system is administered/. In fact the endless disagreements are occurring precisely because the uniformity of regulation is being confused with the way in which it is carried out. A method of management or administration may be democratic or autocratic, self-managed or not self-managed. /Uniform/ regulation can as a method of administration be profoundly /democratic/. The absence of such regulation is not only not a guarantee of democracy and sovereignty of the parts, but most frequently results in local economic monopolies and local political oligarchies. Both represent a total negation of self-management.

Although for an educated economist and political scientist these observations are obvious, they still need to be emphasized by way of introduction, since they are most frequently replaced by misunderstanding and demagoguery in the extremely politicized everyday atmosphere. The point, that is, is that in the Yugoslav economy the principal regulatory function can be performed only by the Federation. For that function to be performed in a politically acceptable way, the political organization of the Federation also has to be appropriate.

It follows from the discussions so far that the jurisdiction of the Federation is objectively determined by the nature of the economy as a system. It follows from the operation of economic laws, which do not allow any voluntarism whatsoever. Whatever the political protagonist might think, desire or do, the law of value operates as it operates, and there is nothing here that can be changed. Economic laws, by contrast with government laws, cannot be amended or rescinded. That being the case, it is intelligent behavior on our part to adapt to them.

The institution of self-management is of a different character altogether. In this case there is no economic or other necessity whatsoever for society to be organized on the basis of self-management. Statist organization is also possible, the welfare state is possible, as is the conventional capitalist system or some combination. By contrast with the economic system, self-management is a sociopolitical commitment. Once self-management (or statism or capitalism) is adopted, then the objective economic laws determine the system of institutions and regulatory mechanisms which correspond. In Yugoslavia self-management is the basic social institution, adopted by its citizens in a plebiscite. In that sense this is a social fact.

A fundamental conclusion follows from this: Since self-management is a fact, and since the characteristics of the economy as to its system are objectively given, there cannot be any bargaining over either. A permanent sociopolitical commitment is one thing, and knowledge and scientific research something else.

Since we have determined the jurisdiction of the Federation as a jurisdiction pertaining to the system, and have established self-management as the basic social institution, then it is not difficult to define quite precisely the aims and functions of the republics (and oblasts) and of their economies. Everything that lies outside the sphere of the Federation as to the system and which does not restrict the self-managing autonomy of economic entities, lies in the jurisdiction of the republics and provinces. These are basically the following activities:

1. Higher assistance to work organizations (reserve funds, emergency financial rescue, education and retraining of personnel).
2. Long-range planning (pretty much neglected up to now) and regional equilibrium of economic development.
3. All types of stimulation of economic development within its jurisdiction (including incentives, domestic and foreign, with tax benefits, construction of infrastructure, subsidies, etc.). It is self-evident that all measures connected to close off markets or to discriminate between "one's own" and "foreign" producers and consumers are prohibited.
4. Budget and fiscal policy.
5. Public utilities.

d. Public Administration.

Republic economies which have the characteristics listed from 1 to 6 are compatible with self-management and with the character of the economy as to its system. What is more, republic economies of this kind represent functionally synchronized subsystems, and in that sense they contribute to the optimal functioning of the economy both as a whole and in all its parts. As is evident, the principle of maximum decentralization has been applied: Everything that is not objectively assigned in advance to the federal level is left to the lower levels. In that sense the sovereignty of the republics (which is a political category and in such cannot be set in opposition to economic laws) is also guaranteed.

Republic sovereignty requires additional consideration, since it is the subject of many disagreements, some of them disastrous. The economic functions of the republics which have just been enumerated, do not signify that the sovereignty of the republics has been reduced to them. On the contrary. Sovereignty also includes functions which were not included, all the way to complete self-sufficiency and secession from the Federation. Consensus in the adoption of important decisions--such as the plan and the constitution--expresses unfringed republic sovereignty in the most direct way. Similarly, the West European states did renounce a portion of their sovereignty when they joined the Common Market. They retained their full national sovereignty, including the option to withdraw from the Common Market. Hopeless confusion results when sovereignty is confused with association.

The nationalities of Yugoslavia have brought their national states--the republics--into an association referred to as the Federation by their sovereign will. They have done this because in the given historical conditions this best suits their national interests. If that association is to have the most beneficial effects for the national interests of each republic, it must have certain organizational forms, both political and economic. Those organizational forms are predetermined by the objective characteristics of politics and the economy and cannot be voluntaristically redesigned without harm to the interests of every partner.

As for the economy, the republics create their joint business board--the Federal Executive Council--which pursuant to the directive and subject to the oversight of the central workers' council--the Federal Assembly--it performs the tasks of operational management of the economy. So long as that business board operates effectively and within the agreed limits, there is no reason to interfere in its work. If it does not fill the bill, then it should be discharged and a more effective one formed.

As has been emphasized already, the social plan is the basic social compact, the agreement, that defines the guidelines and framework for economic policy. In view of those characteristics, adoption of the plan requires unanimity, consensus among the republics. However, the operational implementation of the plan may--and should, that is the only possible solution that is sensible--be entrusted to the Federal Executive Council under the oversight of the Federal Assembly. This does not preclude constant consultations of republic forums

and occasional selection of particularly sensitive measures to be decided on by consensus. This selection is made by the Assembly.

It is well known that in recent years the republics have more and more frequently been unable to agree or have been unable to agree in good time, and the Federal Executive Council has been unable to take the necessary steps. As a rule this is explained by the differing and conflicting interests of the republics. And now we hear more and more frequently the demand that partial interest must be sacrificed in the name of the common interest, and the Federal Executive Council [SIV] must take advantage of its constitutional prerogatives and make the decisions in spite of the opposition of certain republics. Both the explanation and the demand are profoundly mistaken.

There are, of course, interests which actually are opposed to one another. But these are really exceptional cases, and they also necessitate an exceptional solution. The alleged opposed interests which the interrepublic committees are bargaining about every day are of a quite different nature and arise from two sources:

- a) systemic disorganization and
- b) bargaining about individual measures.

The first source can be well illustrated by the republic payments balances. It is clear to everyone, including those advocating it most, that this is an extremely unwise and harmful solution. How, then, did it come about? When an economy is brought to a situation of an altogether unrealistic rate of exchange, arbitrary administration of the allocation of foreign exchange, and irresponsible contracting of indebtedness abroad covered by federal guarantees, then it is natural that those earning foreign exchange revenues, and that above all means two advanced republics, to demand that they have direct control over their own revenues. It is obviously not the solution for SIV to take over allocation of foreign exchange (though in the present crisis it may be the only way to do so). The solution is to make the dinar convertible, and to subject the contracting of foreign indebtedness (and also domestic indebtedness) to tried and true banking methods. When the dinar is convertible, the possession of foreign exchange does not represent any sort of special allocation, and interference of the government is pointless. The situation is also similar with loans which are paid off promptly.

As far as the second source of conflicting interests, the bargaining about individual measures necessarily generates a conflict of interests, and this is what the interrepublic committees are constantly doing. At any given moment construction can begin on only one steel mill or one automobile factory or one nuclear power plant. If the project is located in one republic, the other five are left without it. And that is why everyone knocks together his own economic shop. Much the same is the case with the individual measures of economic policy. The rise in the price of heating oil hurts Vojvodina more than any other region. Low prices of raw materials suit Slovenia, but are harmful to Bosnia and Kosovo. Pushing tourism and shipbuilding brings the greatest benefit to Croatia. The high support prices for farm products mean

larger production and smaller imports and also faster development of the farming regions, but they also increase the cost of living. And so on. The solution to the problem does not lie in endless haggling among the republics. Still less does it lie in leaving each republic to act as best it knows how, as best it knows how and is able, since this leads directly to disintegration of the economy. The solution lies in replacing the haggling concerning individual measures with /agreement on complete development programs/. And that is precisely the purpose of the social plan. That is why one of the key tasks is to devise an appropriate planning methodology. That methodology should replace the unwise and disintegrative "If he gets it, I lose it" approach we have had up to now by the "All get the maximum" approach. This substitution is not, of course, a matter of a slogan or political campaign--though that is also necessary--but of introducing science into planning.

In conclusion it will not be out of the way to take note as well of a sociological phenomenon. The behavior of the republic political structures that has been noted is not an accidental nor a passing phenomenon, and it will not, then, be easy to change it. It is not just a question of the nationality question which is always with us. We note that same behavior in segments of one and the same republic (in the relations, say, between the provinces and the republic*), or within one and the same nationality (the relation between the opstina and the republic or the relation between individuals and the work collective), as well as in work organizations, regardless of the level of education (at the universities, especially the new ones, just as in the factories, especially in nonindustrial workplaces). This is a behavior which is deep-rooted in the mentality of the society of the transitional period in which changes are rapid. In an ordered self-managing society there will be a definite set of generally accepted ethical and legal norms which regulate behavior and which afford full autonomy and freedom of initiative of individuals and work collectives. In a transitional society the phenomenon of anomie which is well known in history and theory occur: the old norms are abandoned as dysfunctional, but the new ones have not yet been devised. Thus normative orientation is lost, everything can be questioned, and everything appears possible or permissible. That is precisely our present situation. /Instead of firm norms and free initiative, we have haggling about everything and the blocking of almost every initiative/. Since it is a question of historical development, it would be an illusion to expect that things will change rapidly. There are no leaps in history. Only accumulated social experience brings about essential changes. But it is possible to do incomparably more to speed up the process. In that sense considerably greater attention should be paid to the building and functioning of the legal system and to the development of the ethical norms of social behavior (codes of professional ethics,

* Nikola Stanic writes in POLITIKA (17 June 1981, p 14) as follows: "Today in the economy of the Socialist Republic of Serbia there is not a single measure (credit and monetary, fiscal, in the price field, etc.) of joint economic policy (or economic policy in the common interest) which is by agreement being uniformly applied to the economy of the republic as a whole. On the contrary, under the cloak of defending constitutional autonomy ..., and against statist attitudes or a new type of restoration of statism and centralism, there have been stronger tendencies toward economic and other exclusiveness of the provinces and toward bureaucratic-autonomistic separatism."

ethical norms in the educational process). Every law which is prepared with professional competence, which cannot be enforced or is simply not enforced, is a blow to building a self-managing society.* All arbitrariness in interpretation or enforcement of laws accentuates social anomie. Every arbitrary repressive measure is a diversion in the process of shaping a self-managing society. And the same effect results from every piece of untruthful information (that is, from the selection and blocking of information) that is justified by higher interest or by toleration of "socially beneficial crimes."

* A recent meeting of the Federal Economic Council examined the draft of the law on expanded reproduction and past labor. This is one of the basic laws, that is, one of the laws embodying the system, and the draft (the fourth so far) was so bad and harmful that I was compelled to describe it as an act of sabotage. The general opinion of the Council was that the draft was no good, but it was also said that "if it does no good, the law will not be harmful either, since the economy will in any case behave according to its own norms." This attitude, which is more general than isolated, leads directly to disintegration of the legal system and contributes to the high degree of anomie in our society.

7045

CSO: 2800/316

CROATIAN FOREIGN TRADE, NEW FEDERAL RULING ON INDEBTEDNESS

Zagreb VJESNIK in Serbo-Croatian 24 Mar 82 DELEGATSKI VJESNIK supplement
pp 10-11

[Excerpt] Foreign Economic Relations

Relatively favorable results were achieved in foreign trade in 1981. A positive balance of \$407 million in current transactions (of which \$270 million was with the convertible area and \$137 million was with the clearing area) was achieved within the framework of Croatia's balance of payments position, in comparison with the negative 1980 balance of payments position of -\$143 million (-\$153 million with respect to the convertible area). The improvement in the balance of payments position, however, is to a significant extent the result of a slowdown of imports (with negative consequences for the supply of manufacturers), and only to a lesser extent the result of a real increase in the exports of goods and services and a cessation of long-standing negative trends in the area of trade.

Within the total nominal growth of 16.4 percent and the real growth of 4.9 percent in commodity exports, a nominal increase of only 6 percent was achieved in trade with the convertible area, so that the real decrease in exports to the convertible area (with an 11 percent increase in prices) was -4.5 percent.

Income from services was increased nominally by 11.6 percent, and by about 3 percent in real terms. Within the service income, the most significant increase was in income from tourism (28 percent), while transportation income was nominally increased by only 9 percent. The net balance of citizens' accounts was increased [? to] \$246 million, which has to a great extent contributed to the improvement in the balance of payments.

In assessing the results achieved in improving the balance, it is necessary to take into account the fact that expenditures for oil in 1981 were 521 million dinars less than in 1980 because of a change in the system for the distribution of oil imports among the balance of payments positions of the republics and provinces.*

*Oil was listed by consumption in the 1981 balance of payments position of Croatia.

It may be concluded from the data cited above that the goals outlined by the Social Plan for the 1981-1982 period in the area of foreign economic relations are not being achieved (as a strategic orientation, the plan provided for an intensification of foreign economic relations and an increase in commodity exports of at least 8 percent per year on the average).

Very ambitious goals have been set for 1982 in the area of foreign economic relations. A provisional projection of the balance of payments position made Croatia responsible for achieving a 12 percent real increase in goods and services in trade with the convertible area. The nominal increase in commodity exports is to be about 20 percent, and the increase in services is to be about 24 percent, with price increases of 8-10 percent.

Discussions of the balance of payments position have disputed the possibility of a real increase of over 12 percent in income from services, since capacities were not significantly increased during 1981; it is thus estimated that it is possible to achieve a real increase in income from services of about 5-6 percent.

It will likewise be difficult to achieve an increase in commodity exports in 1982, for several reasons. The main reasons are an insufficient supply of intermediate goods for the economy, a shortage of funds for financing exports, and a high degree of foreign currency illiquidity.

The conditions for economic activity were not defined in more detail in 1981 in accordance with the conclusion from the third part of the Plan for Yugoslavia, nor were conditions for application of the system created.

The halt in the operation of the foreign currency market and nonfulfillment of Croatia's obligations for oil payments have brought Croatia's economy into a high degree of foreign currency illiquidity. The shortage of foreign currency for payments is a result of an increase in short-term indebtedness, and indirectly, of the limitation on the possibilities for utilizing medium-term credits.

The foreign currency gap between the balance of payments and foreign currency balance positions of Croatia will be intensified in 1982, and will be a limiting factor on the growth of imports, and thus also on production and exports. It is estimated that the difference between the balance of payments and foreign currency balance positions of the republic in 1982 could be about \$970 million; in comparison with the positive balance of the balance of payments projection established in the provisional projection of \$834 million, the balance of the republic's foreign currency balance position could be about -\$140 million.

It should be emphasized that in 1981 there has been a great divergence between Yugoslavia's payments and foreign currency balances; this will intensify the problems of financing the deficit and act as a limiting factor on an expansion of trade in 1982.

A re-examination of the possibilities for increasing exports during the next few years of the medium-term plan has led to the conclusion that it will not be possible to achieve the expected 8 percent real growth of commodity exports.

During the 1983-1985 period the commodity exports could be about 7 percent in real terms, and about 6.7 percent over the entire medium-term period. The real growth in imports of intermediate goods in 1983-1985, not including oil, will be about 6.0 percent. The 1983-1985 oil imports have been listed in accordance with Croatia's requirements, based on the average increase in oil imports at the national level.

A projection of the exports and imports of goods and services is given in the following table:

Projection of Imports and Exports of Goods and Services in 1981 - 1985

- in millions of dollars, current prices

<u>Total</u>	<u>1980</u>	<u>1981</u>	<u>1982*</u>	<u>1982/81 Growth Rate</u>
Current Foreign Transactions				
Commodity exports	2,077	2,416	2,835	17.3
Income from services	1,849	2,064	2,540	23.1
Exports of goods and services	3,926	4,480	5,375	20.0
Commodity imports	3,983	3,975	4,480	12.7
Funds for production	3,237	3,054	3,710	21.4
Crude oil	1,399	878	880	2.3
Intermediate goods without oil	1,838	2,176	2,830	30.1
Investment funds	533	709	477	-32.7
Consumption funds	193	212	293	38.2
Expenses for services	517	585	576	- 1.5
Imports of Goods and Services	4,500	4,560	5,065	10.9
Balance of Goods and Services	-574	-80	+319	

<u>Ø rate</u> <u>1982/1981</u>	<u>1985</u>	<u>cumulative</u>		<u>Ø rate</u>		<u>cum.</u> <u>rate</u> <u>81/85</u>
		<u>81-85</u>	<u>83-85</u>	<u>83/85</u>	<u>81/85</u>	
16.8	4,380	11,445	16,896	15.6	16.1	16.3
17.2	3,924	10,354	14,858	15.6	16.2	16.3
17.0	8,304	21,699	31,544	15.6	16.2	16.3
6.1	6,419	16,821	25,276	12.7	10.0	8.0
7.1	5,202	13,670	20,434	11.9	10.0	7.9
-21.7	898	2,369	4,127	0.7	-8.5	-
24.1	4,304	11,301	16,307	15.0	18.6	19.8
-5.4	858	2,143	3,329	21.6	10.0	7.5
23.2	359	1,008	1,513	7.0	13.2	15.4
5.6	831	2,217	3,378	13.0	10.0	9.1
6.0	7,250	19,038	28,654	12.8	10.0	8.2
	+1,054	+2,661	+2,900			

*Provisional projection of the balance of payments position

It is not possible at this time to show the overall balance of payments position of Croatia, because the republican balances are being substantially changed by the new approach in the policy on indebtedness.

The reduction in the volume of utilization of financial credits and the inclusion of remittances in credit-financial relations is changing the concept of the current balance of payments position and of foreign credit-financial relations.

According to the new parameters, which are to be developed in more detail later on, about \$3 billion net for the entire medium-term period would be separated out of the current balance on the basis of remittances.

The negative balance in credit-financial relations, as shown by a portion of the indebtedness, without including the indebtedness of the National Bank of Yugoslavia, would be about \$2 billion. It is also necessary to change the calculation of the expenditures for interest, which no longer includes the interest on credits being paid by the National Bank of Yugoslavia.

The projection of the goods and services should therefore be considered tentative.

The continuation of unfavorable trends in the export of goods and services requires immediate performance of the tasks set by the medium-term plan for increasing exports from Croatia:

- through further construction of the system and a mechanism for applying it, settling the unresolved issue of the operation of the system of foreign economic relations, and especially the unresolved issues stated in the third part of the Social Plan of Yugoslavia;

- on the basis of the new expectations, beginning to specify a joint foreign currency policy for the 1981-1985 period, in order to increase the economic interest of organizations of associated labor in exporting goods and services;

- beginning to develop and carry out specific export programs;

- re-examining the possibilities for a more rapid development of service activities for an increase in foreign currency income from tourism, investment work, and transportation, and establishing specific measures for carrying them out.

The more difficult conditions for obtaining credits, high interest rates, and the shortfall in foreign currency income have led to a re-examination of the framework and policy for indebtedness at the national level during the next medium-term period.

The new parameters for foreign indebtedness are substantially changing the relationships in the balance of payments positions of the republics and provinces, both in the sector of current transactions and in the sector of foreign credit-financial relations. In addition to the material flows, the policy of foreign indebtedness is also being changed.

After re-examining the possibilities for foreign indebtedness, on 11 February 1981 the Federal Executive Council proposed a new draft agreement that provides for a considerably smaller volume of foreign indebtedness in comparison with previous expectations. For the entire medium-term period, the volume of indebtedness will be only \$15.0 billion, of which \$13.5 billion will be for the convertible area.

The basis for viewing the possibilities for indebtedness was the commitment that in 1982 the deficit in the current balance of payments could be at most \$500 million, and that from 1983 to 1985 equilibrium in the balance of payments with the convertible area would be ensured.

Financial credits for the liquidity of the National Bank of Yugoslavia are being reduced because of a reduction in interest expenditures and more difficult conditions for obtaining credit.

The new proposal has substantially changed the way in which obligations are to be met and deficits are to be financed. Net remittances are being transferred into foreign credit-financial relations and are to provide 63 percent of the funds necessary to pay for foreign credits (\$14,871 vs. \$23,363 million). Foreign currency income from the export of goods and services could, in fact, cover only 51 percent of the annuities due for the 1981-1985 period, even assuming a real increase in the export of goods and services of 12 percent in 1982 and of about 8 percent from 1983 to 1985.

The credits for liquidity undertaken by the National Bank of Yugoslavia in the amount of \$4,389 million, or 32.5 percent of the total indebtedness, are not being distributed among the republics and provinces. They are serving to form foreign currency reserves and to maintain external liquidity (payment for imports, repayments, etc.).

The net balance of remittances, according to the proposal, is to be separated from the republican positions and is to serve to settle anonymous obligations. It will probably be used for the most part to repay the credits of the federation and the National Bank of Yugoslavia.

In view of the fact that the proposed concept substantially changes the balance of payments and foreign currency balance position of Croatia, and that at the same time the overall concept of the operation of the foreign currency market has not been worked out, it cannot be accepted. There is a real danger that through the proposed concept, the anonymity of indebtedness may be strengthened by partial inroads and the pressure on foreign indebtedness may be increased.

9909

CSO: 2800/327

MONETARY-CREDIT POLICY OUTLINED FOR 1982

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Mar 82 p 5

[Article by B. Djurovic: "Slowdown In Investment Credits"]

[Text] Among other things, this year's resolution on the country's development and a special decision on the goals and tasks of the joint issue and monetary and credit policy, especially in connection with the changes in the money supply and bank investments this year. The main goals and tasks of the monetary-credit policy are, in fact, directed toward supporting implementation of the economic stabilization policy.

In connection with this, the most important thing is to slow down price increases, eliminate structural contradictions, balance commodity-monetary relationships, increase the production and sale of equipment, and ensure the necessary material reserves. This is stressed in a report on guiding the credit potential of banks this year through self-managing agreements and accords concluded at the federation level. This report, which was forwarded to the SFRY Assembly, was compiled by the National Bank of Yugoslavia, the Association of Yugoslav Banks, and the Federal Secretariat for Finances.

The banks have special obligations in carrying out the monetary-credit policy this year, i.e., the investment credits have to grow more slowly than the total credits, in order to make it possible for short-term credits to satisfy as much as possible the requirements for financing current production. As for the growth of bank investments, an effort will be made to have them used as much as possible for priority purposes, primarily for financing exports. These measures will not reduce investments for the development of insufficiently developed republics and provinces, nor for areas suffering from earthquakes.

Three Times As Much Investment

In accordance with these goals, the National Bank of Yugoslavia has drawn up a projection for the 1982 monetary-credit policy. This regulation established that the money supply, calculated on the basis of December of last year and this year, will be somewhat more than 20 percent greater compared to the preceding year. It is estimated that during this period the nominal social product will grow at a rate of 18 percent. In order to carry out the

priority tasks in this area in 1982, it has been planned that the banks will conclude several self-managing agreements: to carry out a selective credit policy using part of their credit potential for financing the sale of domestic equipment and ships, combining funds in order to stimulate exports of capital goods, and providing funds for the development of the agroindustrial complex.

According to the first agreement, the banks are to ensure an increase in their total investments for selective purposes in the amount of 171 billion dinars. In doing this they will have to keep in mind the fact that exports to the convertible market will grow faster than was planned for this year, which means that bank credits will also increase by the same extent. In addition to this, because of the depreciation of dinar exchange rate, bank investments for exports and imports will have to grow more rapidly than was planned. It is likewise undeniable that the nominal increase in the production and supply of the basic agricultural and food products, which are supported by selective credits, will be greater than the growth of production and supply in agriculture.

According to the second self-managing agreement, the banks are to provide five billion dinars from their credit potential. According to the third document, the above-mentioned institutions are to combine 5.5 billion dinars this year, and 25 billion dinars according to the fourth agreement. With these four agreements, the banks are assuming an obligation to use part of their credit potential in 1982 for priority investments at a national level amounting to over 202 billion dinars.

Many Priority Obligations

We also recall the available credit potential of the banks and its being utilized by means of self-managing agreements and accords. It should first of all be emphasized that the National Bank of Yugoslavia has established that the growth of total bank investments in 1982 will be 333 billion dinars. In other words, the obligations of these institutions are being increased considerably this year. In fact, within the framework of the planned growth in bank investments under the restriction of a rate of about 16 percent, investments on the basis of agreements will be three times greater than last year, as the report emphasizes.

Out of the amount of the permissible growth in bank investments under the restriction (269 billion), over 202 billion dinars are to come under the increase in investments used for financial priorities through self-managing agreements and accords. These ratios indicate the fact 67 billion dinars are left for an increase in investments on the basis of the autonomous commercial policy of the banks. As a matter of fact, within this last framework (after settling the obligations arising from the self-managing agreements), the banks are to carry out the obligations they have assumed for the completion of investment projects in an area of narrow priorities (energy, production intended for export, and import substitutes), and then for financing housing construction and current production in the overall economy outside of the priority areas.

As for the term structure of the bank investments under the restriction, it is planned that in the short term they will increase at a rate of 23 percent, and in the long term at a rate of 10.2 percent, in accordance with the determination of the current economic policy that investment credits are to increase more slowly than the total credits, in order to make possible larger short term investments for the needs of current production. In regard to the term structure of bank investments according to self-managing agreements, however, the data indicate that an increase is taking place in the proportion of long-term investments in the priorities agreed upon, compared to last year, as a result of an expansion in the priorities agreed upon (investments in the development of the agricultural complex).

In assessing the degree to which bank investments are guided by self-managing agreements and accords, it is necessary to take into account investments through regional agreements and accords established at the level of republics and autonomous provinces in accordance with their current development policy. On the basis of data from the Association of Yugoslav Banks, it is estimated that this year the banks have assumed an obligation to use 40 billion dinars for the priorities [established] according to regional criteria. Taking into account as well the banks' obligations resulting from regional self-managing agreements, it turns out that of the total permissible increase in bank investments of 269.5 billion, 242.5 billion dinars have been directed into investments for priority purposes at the level of the federation and the republics and provinces, so that just 27 billion dinars, or only 10 percent, are left to be used in accordance with the commercial policy of the banks.

Several conclusions may be drawn from this. First of all, it is evident that most of the banks' credit potential has been utilized for the needs of the federation, republics, and provinces through self-managing agreements and accords. As a matter of fact, 90 percent of the planned permissible growth in bank investments under the restriction this year has been committed. Not even the remaining 10 percent (27 billion) of the planned increase in investments under the restriction, however, is left to be used according to the banks' commercial policy.

Such a utilization of the banks' potential this year does not leave enough room for the obligations for certain investments, for directing funds into narrow priorities, for current production outside of the key branches of industry, and for housing construction. It is therefore essential to heighten financial discipline, especially in the area of investments, accelerate the completion of investments in progress, and ensure timely repayment of the investment credits that have come due.

7909

CSO: 2800/329

FRANTIC 'HUNT' FOR FOREIGN EXCHANGE SKETCHED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1628, 14 Mar 82
pp 18-19

[Article by Velicar Zecevic]

[Text] Unusual letters are circulating these days from one end of Yugoslavia to the other. Sometimes it is an ordinary piece of mail, sometimes a telegram or Telex, and often even a verbal warning by telephone: If you do not meet our demand, we will be forced to assess once again whether our cooperation to this date can be continued....

It is not difficult to guess that concealed in these messages [original reads: "last will and testament"] are demands which are usually politely expressed, but always determined--give us foreign exchange.

If our notes are correct, the first to be so bold as to justify in public the decision to sell goods for foreign exchange was Petar Dodik, director of the Zenica RMK [Mining and Metallurgical Combine]. This was less than 2 months ago. In addition to the dinar price for every ton of Zenica iron purchased, went the message from that city in Bosnia, customers would have to add \$150. "There are hardly any exceptions," Petar Dodik later declared in the newspaper of his enterprise METALURG, "since on only about 200,000 tons of the 1.7 million tons of our products we are not seeking a portion in foreign exchange."

Why go on hiding their intentions and decisions, why hide behind fictitious contracts on the pooling of foreign exchange pursuant to Articles 67 and 68 of the Law on Foreign Exchange Transactions, the other directors of other Yugoslav steel mills probably concluded. First the Slovenian steel mills called upon all their customers to pay \$260 for every ton of their products, and a similar announcement soon arrived from Niksic. The Sisak Steel Mill announced that it would not sell pipe or other products without an additional \$100 to \$150 per ton. The new Smederevo Steel Mill, the youngest among them, did not succeed in stating its dollar demands in specific terms. It simply sent out a message that \$17 million were needed for it to operate successfully this year and that that amount could be obtained only from the purchasers of its goods.

Undermined for years by constant inflation and given a good shake by successive "quiet devaluation," for a long time now the dinar has not had its true

price on the domestic market. So long as the foreign exchange market functioned in some fashion, so long as the so-called "right to foreign exchange" could be exercised at least in part on that market, the frantic search for foreign exchange was directed toward exports of goods, that is, toward foreign countries and the foreign exchange market. Exports, however, also have their price and their real range which cannot be exceeded, one of the reasons being that the structure of our economy is such that any growth of exports also brings about larger imports. The question of how to obtain foreign exchange was posed still more sharply when the interbank foreign exchange market fell into a coma.

Useful Sincerity

The new situation created new relations and new terms. No one knows who was the first to utter the words "domestic foreign exchange" for that portion of the total influx of foreign exchange which remains at the disposition of work organizations after deductions for various public purposes. The major portion of foreign exchange, to be sure, is at the disposition of self-managing communities of interest in the republics and provinces. What remains, the "domestic foreign exchange," is not always so insignificant and, what is most important, it can become the object of speculation or pooling among clever managers with a sense for business.

Never mind that the law permits only pooling.

"When the people in the self-managing community of interest informed us that we could not count on 'republic' foreign exchange," Petar Dodik said sincerely, "we had to look for it somewhere else. We did not have any choice, since we ourselves purchase production supplies abroad."

Sincerity of this kind is spreading, as one can well understand, by geometric progression. Everyone who has received a letter from the steel mills demanding partial payment in foreign exchange for goods purchased went in the same direction: They sent out similar messages to their own customers. And the latter in turn to their own. All equally appeal to the Law on Foreign Exchange Transactions ("pooling"), but all are actually counting on the purchasers of their goods not having any choice but in the end to give in.

Strict Elimination

The increasingly frequent news that foreign exchange transactions between work organizations can be interpreted rather in terms of the fact that blackmail and unloyal behavior have become deep-rooted rather than in terms of evidence of more prevalent pooling of foreign exchange on the basis of self-management accords has also been the occasion for several sharp debates in committees of the assembly, for energetic admonitions and for questions put to the government by delegates. Zarko Cosic, a Vojvodina delegate in the Chamber of Republics and Provinces of the SFRY Assembly, put this question in February to the Federal Executive Council: "Can behavior which essentially requires payment for a portion of goods delivered to be made in foreign exchange be accommodated under Article 68 of the Law on Foreign Exchange Transactions and Credit

Relations With Foreign Countries?" Delegate Cosic was satisfied with the response of the Federal Executive Council, which was: by and large, no.

He was dissatisfied, however, with the answer to another question: "What has the Federal Executive Council undertaken or what is it intending to undertake to prevent such occurrences in our country?" Replying once again to this and three additional questions of delegate Zarko Cosic, engineer Petar Kostic, federal secretary for finance, said:

"I think that respect and understanding is being paid to the fact that there are exceptional difficulties which we have been unable to justify in our previous responses. There are in Yugoslavia about 25,000 basic organizations of associated labor, and a large number, some 10,000 or so, are involved in the game of the buying and selling of foreign exchange outside legitimate channels. There are no technical conditions for inspectors to catch even a minimum number of the offenders, since the Federal Foreign Exchange Inspectorate consists of only a few dozen inspectors. That is why we will soon propose intervention in the form of a law which will make it possible for us to begin under the constitution the rigorous elimination, not to say incrimination, of transactions of this type."

In the meantime--this response of engineer Kostic was made on 3 March--many more letters were sent out and many new contracts were concluded whereby domestic goods were unlawfully paid for by domestic customers in foreign exchange. Some producers have even put out their "foreign exchange price lists"; they state precisely how much their goods are worth in foreign exchange, alongside the price in dinars. Some collect in percentages, others in fixed dollar amounts. The news has come in from Sevojno, for example, that \$845 per ton must be paid in addition to the dinar price for rolled copper and aluminum products. Dinars are no longer sufficient for copper producers; they are demanding \$587 for every ton delivered to any of their customers.

By all appearances the demand for dollar payment on the domestic market is no longer an exception. "It is already clear that this year the economy of Subotica will not even come close to having enough foreign exchange from its exports," it was declared in the February meetings of the Opstina Committee of the League of Communists in Subotica. For that reason the Presidium of the Opstina Committee of the League of Communists agreed that work collectives in Subotica would seek foreign exchange even on the domestic market.

The scale of the unlawful trade in foreign exchange, though it is now being openly talked about, cannot be precisely determined. It is not known who is seeking what or how much from whom. Perhaps a recent analysis made in the Economic Chamber of Serbia is indicative; it showed that in all about 450 million dinars [sic] was being demanded from work organizations in Serbia proper. It was not stated, however, how much work organizations in Serbia were demanding of others.

The circle of those who are gathering "domestic foreign exchange" in seeking the key to solving their difficulties is, of course, growing. But the new foreign exchange market is to some extent filling the vacuum left by the

previous "interbank" market. Moreover, the pooling of foreign exchange has in fact been envisaged by the Law on Foreign Exchange Transactions, and disposition of foreign currency as a self-management right of workers who realize foreign exchange is seen as a goal of public policy.

"Disobedience" Foreign Exchange Earned in Tourism

Whose foreign exchange is it? Even farmers in Vojvodina are among those seeking an answer to that question. Their reflections, it would seem, are moving in the right direction when they say that the foreign exchange earned in tourism cannot belong solely to hotels and tourist organizations nor, of course, even to the republics in which foreign tourists usually stay.

Here is the basis of that opinion. According to the data in a Vojvodina analysis, in 1980 Yugoslavia was visited by 36.9 million foreign tourists, and according to approximate estimates they spent \$64.4 million for food. Food produced in Vojvodina was worth more than \$28 million. Do the Vojvodina farmers have a right to that foreign exchange? Is respect being paid in this to the fact that some things also need to be imported for the production of both food and meat and everything that is consumed in tourism? The production of 1 ton of wheat requires imports of chemicals and other supplies worth \$21, and the import component of 1 ton of pork cannot cost less than \$136.

"Agriculture and the tourist industry are truly linked by a large common interest: exports, exports moreover within the country, which are the best kind," reflects Darko Vlahovic, representative of the Economic Chamber for Dalmatia.

As Darko Vlahovic declared to Radovan Kovacevic, our correspondent in Split, in just the area from Zadar to Dubrovnik domestic and foreign tourists are annually served 10,000 tons of meat, 18,500 tons of vegetables, about 6,000 tons of fruit, and then milk, cheese, butter.... Last year foreigners spent \$586 million in this area.

"It is not the first time that demands have been addressed to workers in the Dalmatian tourist industry for what is called foreign exchange participation. We remember criticism to the effect that the tourist industry is only an 'assembler,' that is, that all the others who participate in supplying and developing the tourist industry should also have their share of the influx of foreign exchange. That is how we interpret the most recent demands from Vojvodina," Darko Vlahovic says.

Why, then, resort to blackmail, to threats that deliveries will be halted, to public reproaches? Why not conclude authentic self-management accords based on common interests?

Yet the answer to those questions is not a simple one. When one takes into account that the common interests as in tourism also bring together other producers of raw materials and those who process them, as well as producers of parts and finished products, it might be said that the obstacles to reaching an agreement come from elsewhere. Many people say that the absence of a

foreign exchange market is the principal cause of disagreement. Others are inclined to see the foreign exchange positions of the republics and provinces as the greatest trouble, since they, as has indeed been stated by Petar Kostic, federal secretary for finance, have long ago become exchange balances in their own right. It is indeed difficult for foreign exchange to cross republic borders, and the numerous demands for foreign exchange participation in joint efforts cannot be realized because of resistance at the top level in the republic.

That is why the reaching of agreement is replaced by unlawful pressures for domestic goods to be paid for in foreign exchange, by a rough displacement of the dinar, and by an introduction of foreign currency on the domestic market. "Nevertheless, this cannot be allowed," engineer Petar Kostic said to delegates of the Yugoslav Assembly, and he promised that vigorous measures would soon be taken.

[Box, p 18]

Similarities and Differences

Last October the "Solid" Footwear and Plastics Combine, its "Shoemaker" Basic Organization of Associated Labor, and the director of the combine Stipan Prcic were penalized in the Superior Economic Court in Subotica for an economic offense. Their offense consisted of relinquishing to their suppliers a portion of the foreign exchange that they realized through exports.

Five months after the penalty was pronounced, the Superior Economic Court still had not prepared the written judgment and justification of the penalty. It is an interesting detail that the penalties were pronounced because foreign exchange had been relinquished to "Konus" in Slovenacke Konjice, to "Proleter" in Nova Varos, to "Jugoplastika" in Split and TKI [Chemical Products Plant] in Kranj.

Not a single charge has so far been filed against "Solid" and its managers for the same or similar transactions with foreign exchange involving work organizations in Vojvodina.

[Box, p 19]

What Is Being Prepared

The Federal Secretariat for Finance, commissions for preparing legislation on foreign exchange transactions, and certain other competent institutions, we have learned unofficially, have received a report from the Federal Foreign Exchange Inspectorate presenting findings on events on the Yugoslav foreign exchange market. The report, though we were unable to obtain the specific data, also speaks about what the Foreign Exchange Inspectorate can do under current legislation to put an end to the blackmail concerning foreign exchange.

The work of the inspectorates is also impeded by various pieces of republic legislation concerning foreign exchange transactions. That is why there is

great anticipation about what will be proposed by the competent commission engaged in preparing new legislation on the foreign exchange market.

Every day the Secretariat for Finance and the Federal Foreign Exchange Inspectorate receive questions as to when the new legislation on the foreign exchange market will be ready? The SFRY Assembly is again awaiting a detailed answer from the Federal Secretariat for Finance to a delegate's question concerning foreign exchange transactions.

A version of a law on the foreign exchange market is being prepared, though consensus on certain principles is difficult to achieve because of differing points of departure and different interests.

The so-called interim law on foreign exchange transactions is also being prepared.

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